FINANCIAL TIMES

French capitalism

Lessons from three takeovers

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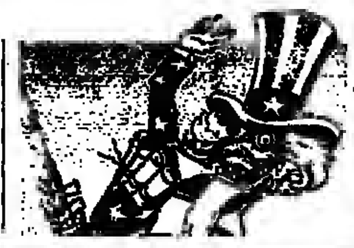

US equities

What happens when the music stops?

Richard Waters, Page 9

Russia

Gathering storm over unpaid wages

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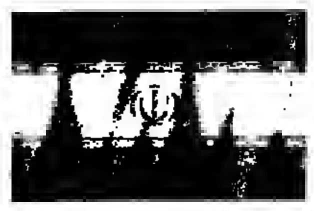


Iran

Oil boost for foreign policy

Page 3

World Business Newspaper http://www.FT.com WEDNESDAY DECEMBER 31 1997

WORLD NEWS

Hollywood to end year with bumper crop of blockbusters

The US film industry is set to end 1997 with at least 15 blockbusters and a clutch of newcomers surging towards the requisite $100m in box office revenues. Titanic heads the late starters' list, with the Bond movie Tomorrow Never Dies moving up fast. Page 10

Dash for pay deadline
Russia cleared a huge wage debt to public sector workers in a last-minute rush to meet a January 1 deadline, prime minister Viktor Chernomyrdin said. Page 2

Brazil jail siege
Prisoners held more than 600 hostages, including 17 guards, after a failed weekend jailbreak which left two people dead at a prison west of São Paulo.

China and South Africa link
South Africa and China signed a deal to establish diplomatic relations in s move that severs South Africa's formal ties with Taiwan.

Kenya in polls chaos
All Kenya's main parties alleged wide-scale election rigging as *polls closed after a second day of* confusion and delay. Page 3

Hong Kong chicken cull
Slaughterers tried to complete the job of killing all Hong Kong's estimated 1.3m chickens to prevent bird 'flu spreading among humans.

Nyerere flies to see Kaunda
Former Tanzanian leader Julius Nyerere visited former Zambian president Kenneth Kaunda in jail as pressure mounted for Mr Kaunda to be tried for alleged conspiracy or released.

Ultimatum for Arafat
Palestinian lawmakers delayed a no-confidence motion and gave President Yasser Arafat three months to reshuffle his cabinet and implement reforms.

Italian siege ends
Police stormed a Milan bank and captured 35-year-old Sicilian Domenico Gargano, who earlier released four hostages he had held to ransom at gunpoint for 24 hours.

Czech cabinet picked
Czech prime minister Josef Tosovsky named his choice of cabinet ministers, including Ivan Pilip, a key player in the ousting of ex-premier Vaclav Klaus, as finance minister. Page 2

Knighthood for Elton
Elton John, whose singing moved millions during the Princess of Wales's funeral service, has been awarded a knighthood in UK prime minister Tony Blair's first honours list. Page 10

US coast guards to the rescue
US helicopters were trying to rescue the 28 crew of the British-owned cargo ship Merchant Patriot after it started taking in water in gales off Florida.

Nurse charged with murders
An American male nurse pleaded not guilty to murdering six patients at an Indiana hospital.

World's oldest bourse closes
Champagne marked the closure after five centuries of Belgium's Antwerp bourse, the world's oldest financial exchange. Antwerp will merge with the Brussels bourse on Friday.

Dolci dies
Danilo Dolci, an Italian sociologist who organised Sicilian peasants in their battle against the Mafia for water rights, died of a heart sttack aged 73.

The Financial Times wishes readers and advertisers a happy and prosperous 1998. The newspaper will not be published tomorrow, New Year'e Day, but will be back on January 2.

BUSINESS NEWS

ICO satellite phones group halfway to global system

ICO Global Communications says it has raised almost half the $4.5bn needed to launch its satellite mobile phone system. The European-based consortium said shareholders had put up $275m, taking the total invested in the project to $2bn. Page 10

BP Chemicals has begun a global expansion of its styrene plastics business with an agreement to pay more than $200m for the styrenics business owned by Hüls of Germany, the Veba group chemicals subsidiary. Page 11

Further strong demand for index heavy stocks took the Zurich exchange up 1.3 per cent to s second consecutive record close, the SMI index closing up 77.2 at 6,267.6 in turnover swelling to SFr1.6bn ($1.1bn). Record closes were also seen in Copenhagen, Lisbon and Milan. Page 26

UPM-Kymmene, Europe'e largest forestry group, strengthened its alliance with Singapore-based paper producer Asia Pacific Resources International with agreements on technology co-operation, marketing and environmental policies. Page 12

Italy launched the first of several privatisations planned for 1998 with the sale of its shipping interests, Lloyd Triestino and Italia Navigazione, both controlled by the Iri state holding company. Page 2

Renault has reportedly signed an agreement with the mayor of Moscow for a joint venture involving the debt-ridden Moskvich plant. Renault's Megane model is to be assembled there with annual production expected to rise from 2,000 cars in 1998 to 120,000 in 2002.

NL Industries, the US chemicals company controlled by Texan billionaire Harold Simmons, has agreed to sell its Rheox speciality chemicals division to Britain's Harrisons & Crosfield for $465m in cash. Page 11; Lex, Page 10

Sakura Bank, part of Japan's Mitsui business grouping and one of the world's largest banks with assets of Y54,700bn ($420bn), plans to restructure its domestic and overseas operations. Page 11

KPMG, the accountancy group, reports that takeovers and strategic investments by US companies in engineering-related UK businesses in 1997 totalled some $5.8bn – 87 per cent up on 1996's $3.1bn and more than twice the $2.3bn of 1995. Page 13

Viacom shares climbed to an 18-month high on the success of the film *Titanic* and speculation that the entertainment group plans to sell its Simon & Schuster publishing arm. Page 12; Hollywood's blockbuster year, Page 10; Lex, Page 10

Wall Street dealers will have to cope with s sharp reduction in the information they receive about cash flows into mutual funds following s decision by fund manager Fidelity Investments to stop publishing daily information on its net assets next year. Page 12; Where the money is, Page 9

Colombia *has signed a deal* to buy a $42m satellite communications system from France's Alcatel Alsthom in hopes of bolstering its drive against leftist guerrillas, according to the army.

HSBC Holdings has completed its purchase of a 19.9 per cent stake in Grupo Financiero Serfin of Mexico, paying only $174m – 42 per cent less than the price of $300m indicated when the deal was first announced nine months ago. Page 13

Banks call for swift overhaul of country's finances to halt liquidity crisis

S Korea may seek $15bn in markets

By Richard Waters in New York and George Graham in London

South Korea could return to the international capital markets as early as next month to restructure much of, its massive short-term debts and borrow $10bn-$15bn of new money, bankers involved in worldwide efforts to shore up the country's finances said yesterday.

The comments came only a day after the broad outline of an agreement was reached among international banks to roll over short-term bank loans falling due in the next few days and tide Korea over a possible year-end cash shortage.

Commercial banks in France and Switzerland fell into line behind the international rescue plan yesterday, agreeing to renew their short-term loans for a month.

The International Monetary Fund was also expected to release $2bn of aid to Korea to enable it to meet commitments due by the end of today.

However, some of the institutions that played a leading role in the coordinated international action said they wanted the country to complete the overhaul of its finances quickly, rather than risk renewed liquidity pressures in the coming weeks.

The 11th-hour informal agreement to roll over most existing loans due to be repaid by Korean banks, reached in New York late on Monday, came after Korea had begun to witness a flight of capital amounting to $1bn a day over the previous 7-10 days.

The uncontrolled nature of the withdrawal of credit from Korea risked undermining the official international support which had already been agreed for the country and touched off a last-minute effort hy governments in the main industrial countries to cajole their leading commercial hanks into backing the credit extension.

Several bankers involved in this week's events were critical yesterday of the failure of official agencies to identify the extent of Korea's liquidity crisis earlier and to act more quickly to bring commercial banks together to prevent the problems getting out of hand.

The informal agreement is intended to make sure that most of the leading commercial banks in Japan, Europe and North America roll over debts as they fall due.

However, one banker involved in the discussions said that the banks had not been asked to commit themselves formally, and that it might not be clear for another two weeks whether the international rescue plan had worked.

Bankers estimate that about $15bn of Korean bank debt falls due this month and another $15bn in January. Korea announced yesterday that its external debts totalled $153bn at December 20, with $92bn maturing within one year.

By requiring banks to extend short-term debts for only another month or so, however, the agreement would not solve the country's underlying liquidity problems. To do that, one banker said, the aim was for Korea to return to the capital markets hefore the end of January, in order to extend the maturity of its existing debt and raise new money.

The most likely moves would involve debt exchanges, designed to reduce the reliance on short-term horrowings, and an international bank credit, one banker said.

The new money, which bankers put at anything from $10bn-$15bn, would be intended in part to replace some of the estimated $20bn of loans to Korea that have not been renewed since this summer.

South Korea banks seek to haul in debts, Page 4

Soros urges new global loan controls

By Richard Lambert in New York

A new international institution is required to guarantee international loans, George Soros, the billionaire financier and philanthropist, writes in the Financial Times today.

Mr Soros argues that the Asian hanking crisis threatens to engulf not only international credit hnt also international trade. "We are on the verge of worldwide deflation," he claims, and the international financial system needs to be reformed in the face of this threat.

His proposal is that an International Credit Insurance Corporation should be established as a sister institution to the International Monetary Fund. Its purpose would he to guarantee international loans for a modest fee. Borrowing countries would be obliged to provide data on all borrowings, public or private. This would enable the new authority to set a ceiling on the amounts it would be willing to insure.

Beyond those limits, creditors would be on their own. "To

Continued on Page 10
Personal View, Page 8

US consumer confidence rises to a 28-year high

Fed faces dilemma on interest rates

By Gerard Baker in Washington

US consumer confidence soared to a 28-year high this month as Americans remained unmoved by fears that the Asian financial crisis would seriously hurt their own economic prospects.

The Conference Board, a private sector research company, said its closely watched index of consumer confidence jumped by 6.4 points in December to 134.5, its highest level since 1969, driven by growing optimism about employment prospects.

The strength of consumer sentiment at home, in the face of weakness in many overseas markets, especially in Asia, underlines the dilemma facing the Federal Reserve as 1998 begins.

Uncertainty about the Asian effect has kept the Fed from raising interest rates in spite of surging domestic demand, but if US consumers continue to shrug off overseas weakness the central bank may have to move early in the new year.

Consumer optimism has been rising sharply throughout the last year, reflecting the best US economic performance in a generation with low unemployment, falling inflation and s rising stock market.

Most economists had expected confidence to start to ebb by now, as concern about the effects of the Asian crisis began to spread. But the Conference Board index recorded a sharp rise in confidence about present conditions and expectations for the near future.

"The strength of the US economy, especially of the labour market, continues to lift consumers' spirits and bolster their expectations," said Lynn Franco, associate director of the board's Consumer Research Center.

"Consumers are clearly entering the new year extremely satisfied with ongoing conditions and have high expectations for 1998."

The survey found more than 40 per cent of respondents reported jobs to be plentiful, while only 16.8 per cent characterised them as scarce. Just 9.5 per cent of families said business conditions were "bad" this month, compared with 36.5 per cent who said they were "good".

Soaring consumer confidence has been a critical factor in the strong growth of retail spending over the last year, which accounts for a third of all economic activity. Overall, demand in the economy has grown by more than 3.5 per cent this year, pushing unemployment down to 4.6 per cent, its lowest level in a quarter of a century.

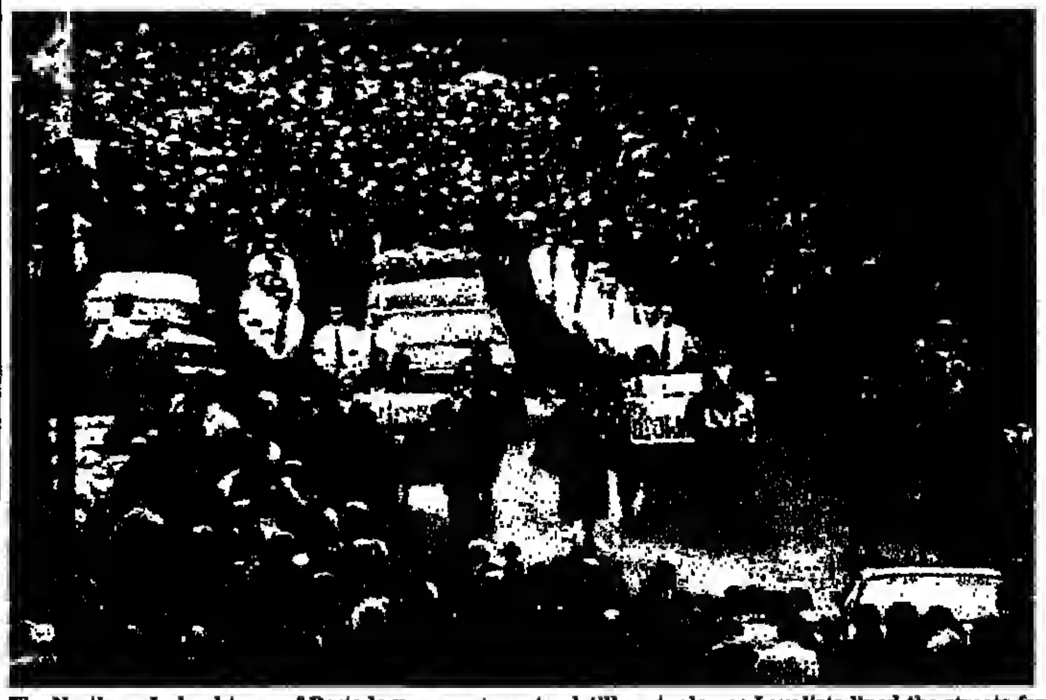
Though there have been few signs of inflationary pressure, the tight labour market is now clearly producing an acceleration in wage increases, a factor that would normally have prompted the Federal Reserve to raisa interest rates by now.

US consumer confidence

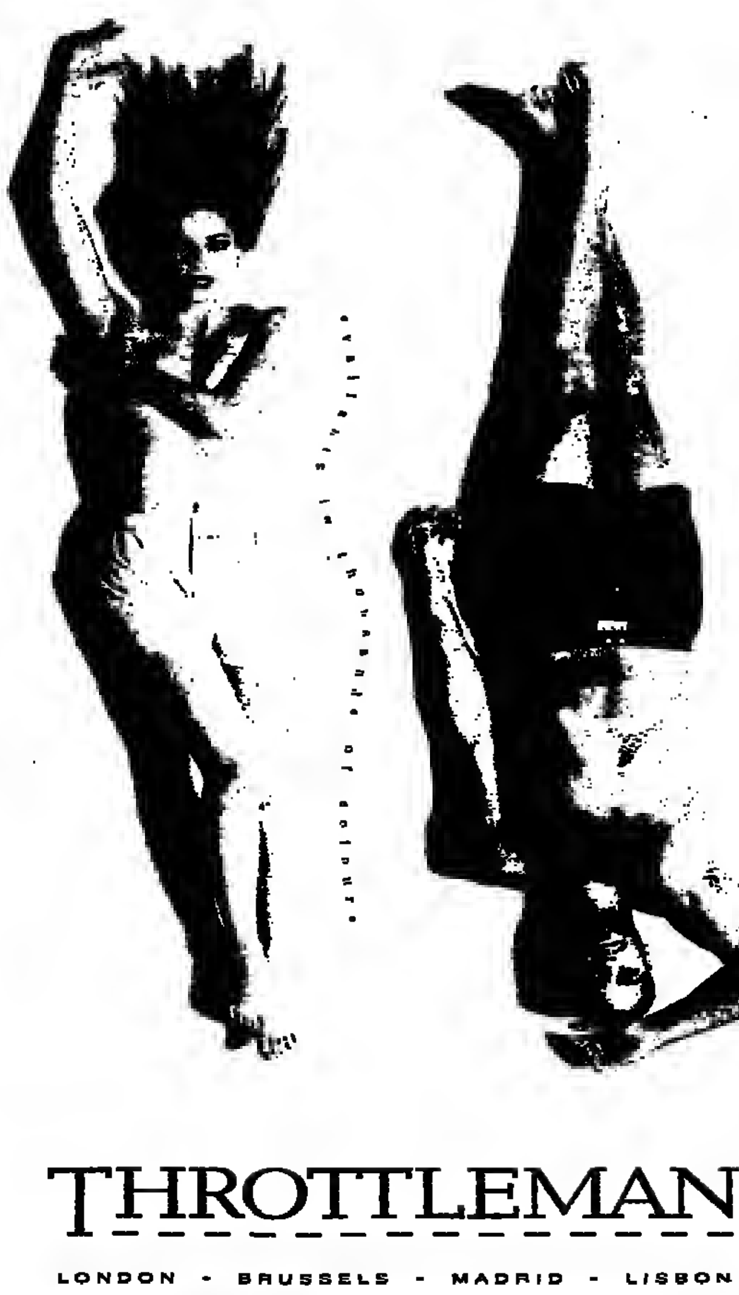
Source: Datastream/ICV

Editorial Comment, Page 9

N Ireland braced for violence after funerals



The Northern Ireland town of Portadown came to a standstill yesterday as Loyalists lined the streets for the funeral of Billy Wright, the terrorist shot dead in the Maze prison by Republican inmates on Saturday. In nearby Coalisland, a catholic priest told mourners not to avenge the murder of Seamus Dillon, gunned down in Loyalist retaliation. But security services were braced for possible further violence after Loyalist politicians warned of the imminent breakdown of the peace process. Picture AP



Markets

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	7874.12	(+81.71)
NASDAQ Composite	1556.35	(+18.90)
Europe and Far East		
CAC40	2975.47	(+36.01)
DAX	4249.69	(+62.32)
FTSE 100	5132.3	(+19.9)
Nikkei	15258.74	(+483.52)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.406%
Long Bond	102⅛
Yield	5.875%

OTHER RATES

UK: 3-mo Interbank	7⅝%	([illegible])
UK: 10 yr Gilt	108.6797	(107.671)
France: 10 yr OAT	101.01	(101.82)
Germany: 10 yr Bond	104.55	(105.4)
Japan: 10 yr JGB	109.16	(109.3)

NORTH SEA OIL (Argus)

Brent Dated	$16.11	(16.42)

GOLD

New York: Comex		
(Jan)	$290.9	(291.8)
London:		
	$290.15	(291.85)

EXCHANGE RATES

Dollar		
New York: lunchtime		
£	1.65725	
DM	1.789	
FFr	5.9865	
SFr	1.45455	
Y	130.1	
London:		
£	1.6568	(1.6746)
DM	1.7915	(1.7836)
FFr	5.9931	(5.968)
SFr	1.4541	(1.4455)
Y	129.74	(129.925)
Tokyo close		Y 130.1
Sterling		
DM	2.9677	(2.9869)

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COMMENT & ANALYSIS

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FINANCE

EMERGING MARKETS

FT.com: the FT web site provides updated news and an updated archive of back articles at http://www.FT.com

Russia revives Tyumen Oil sell-off plan

By John Thornhill in Moscow

The Russian government yesterday revived plans to sell a 49 per cent shareholding in Tyumen Oil, which has been at the centre of a management struggle ferocious even by the rough-and-tumble standards of Russian capitalism.

A previous attempt to sell the state's shareholding in the country's fourth biggest oil producer for more than $820m was suspended last montb for legal reasons amid much acrimony.

Alfa Group, one of Russia's most powerful industrial holding companies with strong Kremlin connections, has made clear that it wants to win control of Tyumen Oil after buying an initial 40 per cent stake from the government in July.

But its plans have been resisted by Viktor Paly, head of Nizhnevartovskneftegaz, Tyumen Oil's 38 per cent owned daughter company and main production unit. Mr Paly has accused the government of rigging the first investment auction in favour of Alfa Group, while Alfa has lambasted the Nizhnevartovskneftegaz management for incompetence and corruption.

The dispute reached such a pitch in September that the two rivals, each claiming to speak for more than 50 per cent of Nizhnevartovskneftegaz's shares, both held extraordinary shareholder meetings and adopted conflicting resolntions. The dispute has yet to be settled.

Tha government, which has publicly backed Alfa's resolution demanding the removal of Mr Paly and pressed Nizhnevartovskneftegaz to pay an outstanding $120m tax bill, said yesterday it would auction Tyumen's shares on the sama terms as outlined in November. At that time 760m shares were offered to investors at $1.08 apiece.

Bids in the forthcoming cash auction will be accepted between January 8 and February 13.

The sale of the Tyumen shareholding highlights the government's need to raise additional revenue from privatisations to keep its budget deficit under control. A shortfall in forecast tax revenues has put severe strain on the government's finances.

In an interview published yesterday, Yakov Urinson, economics minister, said the government was even considering selling big chunks of its secretive military-industrial complex to raise money.

Mr Urinson said the government was aiming to cut the number of state-run defence plants from 1,700 to 670 by the end of the decade through sales and mergers.

According to recent research by UFG/Paribas, a Moscow-based stockbroker, Tyumen Oil is a "promising" company which produced 156m barrels of crude oil in 1996. It also boasts reserves of 8.2bn barrels, mainly in western Siberia.

But analysts suggested few outside investors were likely to participate in the forthcoming cash auction while management tensions persisted within the company. Nonetheless, the auction could help resolve the conflict between Alfa and Nizhnavartovskneftagaz, leading to a brighter future for Tyumen Oil.

Italy to sell two shipping lines

By Paul Betts in Milan

The italian government yesterday launched the sale of its shipping interests – the first of a string of privatisations planned for 1998.

The sale of the Lloyd Triestino and Italia Navigazione shipping companies, both controlled hy the Iri state holding company, will kick off a new series of disposals, including other Iri assets such as tbe Autostrade motorway group and the energy and transport subsidiary of the Finmeccanica industrial conglomerate.

These sales will follow the flotation in 1997 of Telecom Italia, Banca di Roma and a third tranche of shares in the Eni oil and gas group.

Iri yesterday invited international bids for the two sbipping lines, whicb between them own 13 vessels. Bidders have until January 15 to submit offers to Citibank, the US banking group advising Iri.

Evergreen, the Taiwan container ship group, has already emerged as a leading contender for Lloyd Triestino, while the Italian D'Amico shipping group is expected to bid for Italia Navigazione.

After being forced to postpone the sale of Autostrade in the autumn, the government intends to resume the privatisation of the motorway group, which at current stock market prices could fetch between L4,500bn ($2.6bn) and L5,000bn.

The sale had been blocked on technical grounds by one of the government's justice departments. The Corte dei Conti, tbe public accounts watchdog, refused to grant a government request that the newly privatised company should have a concession to run the motorways for the next 40 years.

However, tbe issue appears close to heing resolved, clearing tbe way for the sale. A group of north Italian industrialists and businessmen have already expressed interest in becoming the motorway company's new core shareholders.

Iri's Finmeccanica industrial conglomerate is also in the process of selling its Ansaldo energy and transport subsidiary.

It has received competing bids from the South Korean Daewoo conglomerate and several other leading international energy and transport groups.

Trade unions and the port city of Genoa, where the hulk of Ansaido's activities are concentrated, back the Daewoo hid because they fear the alternative offers would result in splitting up Ansaldo with a greater risk to local jobs.

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Yeltsin robs Peter to pay Paul's wages

Moscow's tax campaign may worsen the problem of pay arrears in the private sector, reports John Thornhill

With typical flamboyance, Boris Yeltsin has promised that hy tomorrow his government will eliminate the more than $1bn of unpaid wages owed to Russia's fedaral and local government employees.

By dint of some fast financial footwork, much arm-twisting of regional governors, and loans from the World Bank, Mr Yeltsin's brow-beaten ministers may even meet their president's self-imposed deadline – at least in most regions.

Bnt while millions of doctors, teachers and soldiers will have added reason to celebrate the new year, millions more private sector employees may only curse the government's rough tactics.

Many fear the campaign to squeeze more taxes out of Russia's largest companies to pay off its own dehts will only increase wage arrears in the private sector – a far higger problem than the state's wage arrears.

Vladimir Ivanov, a construction worker in the city of Samara, 800km south-east of Moscow, certainly does not expect to benefit from the government's largesse. The private company where he works has not paid him for two months, a regular occurrence.

"Our company says if it pays our wages it will not have money to buy building materials and then we would have no work," he says.

How do he, his wife and two boys survive? "We just live," be says. "My wife works in a bank and my parents give us vegetables."

Earlier this year, Russia's trade union movement launcbed a national campaign to fight the problem of wage arrears. As at September, it estimated Russian workers were owed more than Rbs54,000bn ($9bn) in back wages, mostly in the private sector.

At an international conference in Moscow last month, Bill Jordan, general secretary of the International Confederation of Free Trade Unions, lent his support to the campaign, describing the wages backlog as "mass theft" which counted as "one of the greatest crimes of the 20th century".

Vadim Borisov, leader of the trade union campaign, argues two of the main reasons for the huild-up of wage arrears are the difficulty of enforcing contracts in the courts and the absence of effective bankruptcy procedures.

Thousands of Russian companies are still floundering in the twilight zone between the command and market economies, producing little but debt. Official statistics suggest 47 per cent of all Russian companies are trading at a loss.

Mr Borisov says it currently makes more economic sense for these companies to pay off taxes to avoid fines, to repay debts to reduce interest payments, or to huy raw materials to continue production. Workars, worn down hy years of hardship, are left last in the queue.

But the unions can point to some successes this year.

An increased number of strikes has forced some of Russia's more profitable companies to pay off their wage arrears – even though industrial action is ineffective at loss-making plants, where workers are often on forced leave.

The trade unions have also been encouraging local hranches to pursue collective legal action against lata paying companies. Under the terms of Russia's civil code, workers theoretically have the first claim on a company's assets, even taking precedence over the tax authorities.

"In the majority of cases, the local courts support the trade unions' demands," Mr Borisov says. "But even if the business's management receives these court decisions, they are often not in a position to carry them out."

The effects of such trade union action have had some impact in regions such as Samara. In the first nine months of 1997, local trade unions launched 2,000 individual and collective legal suits against employers. As a result, they were able to collect Rbs104bn in unpaid wages.

But this weapon has been blunted by a Constitutional Court decision last week, which ruled that the civil code should be amended to give the tax authorities first claim on a company's financial assets.

Irina Kozina, regional director of the Institute for Comparative Labour Relations Research (ISITO), which has studied wage arrears in Samara, argues that the rule of law must be strengthened in Russia, forcing companies to honour their contracts to customers, creditors, and employees.

"Bankruptcy is not an ideal solution for workers," she says. "But it can be used as a lever to increase the effectiveness of management."

Even Russia's army of unpaid workers are coming round to the idea of declaring companies bankrupt, selling off non-core assets and replacing poor management, rather than facing another winter of unpaid wages.

● Mr Yeltsin said in an interview yesterday he wanted "considerable improvement" and new ideas from the government to secure and stimulate economic growth in Russia next year, Reuters adds from Moscow.

Editorial comment, Page 9

Mixed blessings: state employees such as these protesting defence ministry staff will get their pay, but many private sector staff are still waiting Reuters

Appeal for probe into Swedish housing loan

By Davrell Roberts Tien in Stockholm

The controversy surrounding a loan from the Dutch bank ABN Amro to a Swedisb municipal housing company has prompted a call for a criminal investigation.

Stockholm city officials announced their intention this month to seek the assistance of police and prosecutors to determine whether the presence of one of the housing company's executives on the board of an Irish company which took over the ioan from ABN Amro constituted a criminal "breach of trust".

The affair highlights tensions over the increasing use of securitisation in Sweden. Local banks are concerned at losing business to foreign banks and other specialists in structured finance.

Svenska Bostäder, a municipal company which provides housing to one in seven residents in the Swediah capital, borrowed SKr1.2bn ($155m) from ABN Amro in late 1996. The terms of the loan were not the most favourable offered, according to an audit carried out for the city hy accountants KPMG Bohlins.

The auditors' report was also critical of the procedure which led to the choice of ABN Amro over other institutions, including the city's internal bank. Bids were not opened at one session, but as they arrived. ABN Amro's winning bid arrived on the final day.

The loan, backed by 70 per cent of Svenska Bostäder's property hoidings, was subsequently sold to St Göran Securities No 1, an Irish company which then sold bonds on international capital markets.

ABN Amro said the transaction was a "straightforward deal" using St Göran as a singie purpose company, a normal procedure for a securitisation.

Lennart Lundh, Svenska Bostäder's chief financial officer until last month, was also on the board of St Göran until November 1996.

City officials responsible for overseeing Svenska Bostäder had instructed the company not to pursue plans to issue a bond in Ireland in the spring of 1996.

President wins Polish battle of the veto

By Christopher Bobinski in Warsaw

Poland's new centre-right government yesterday suffered its first political setback when it narrowiy failed to muster the necessary parliamentary majority to overrule vetoes hy President Aleksander Kwasniewski on pension reform and sexual education in schools.

The skirmish indicated that Jerzy Buzek's coalition government, led by the Solidarity Electoral Action group, will have to work more closely with the president or risk having its policias blocked. So far Mr Kwasniewski has heen shunned by the government since his own, former Communist, Left Democratic Alliance was voted out of power last September.

The pensions ballot, lost by nine votes, is a blow to plans hy Leszek Balcerowicz, the deputy prime minister responsible for the economy, to switcb Poland to a privately run, fund-based system from the present pay-as-you-go arrangement.

The vetoed iaw would have allowed the government to link increases in pensions paid to some 300,000 retired military and police personnel to inflatioo and not, as has been the case until now, to increases in average industrial wages.

Non-mtlitary pensioners already have their payments linked to annual increases in prices. Mr Kwasniewski argued that the move, providing budget savings worth 387m zlotys ($110m) next year, would have made it more difficult to persuade soldiers to retire and make way for younger men more in tune with the requirements of the Nato military alliance Poland hopes to join in 1999.

In his second veto Mr Kwasniewski successfully questioned a government move to save 51m zlotys by dropping a plan to train school teachers to conduct sexual education. The president contended that a recent return to a near total ban on abortion in Poland required that sexual education be provided in schools.

The twin issues of abortion and sexual education traditionally mark a fault line in Polish politics, with Solidarity Electoral Action firmly in favour of leaving them to the family and the Roman Catholic church.

Yesterday's ballot, howaver, saw the government fall seven votes short of the 267 votes it needed to overrule the president's veto, wben several members of the secular-minded Freedom Union voted against the coalition.

The voting also showed the potential importance of the populist Polish Peasant party which returned a mere 26 deputies to parliament in the last eiection and has been ignored by the government until now. The party could become an important element when the government next faces a presidential veto.

Yesterday the Peasant party refused privata requests by the government to save the pensions measure and voted with the former communists. At tbe same time it voted with the government on sex education.

New Czech PM names his interim cabinet

By Joe Cook in Prague

Josef Tosovsky, the Czech Republic's new prime minister, yesterday named a cahinet to repiace the government of Vaclav Klaus, which collapsed over a party funding scandal in late November.

Mr Tosovsky's 17-member cabinet contains four ministers from Mr Klaus'a Civic Democratic party (ODS), including Ivan Piilp, who retains his joh as finance minister.

After an bour-long meeting with Mr Tosovsky yesterday, Mr Klaus said that his party would neither participate in nor support the new government.

However, the ODS has splintered since Mr Klaus was re-elected as party chairman in mid-December. Although he retains a sizeable body of support among the party's regional branches, Mr Klaus has lost the confidence of senior party figures, such as Mr Pilip.

Parliament will vote on the cabinet early in the new year. It will be sworn in on January 2 and will serve until new elections are held in aither June or November.

The new government will face a tricky domestic agenda. Mr Tosovsky and Mr Pilip would like to press ahead with bank and ntility privatisation, and the further liberalisation of utility prices. But sucb projects may be blocked in cabinet by the Christian Democrats, who said they should be placed on hold until after the formation of a stable government following new elections.

The opposition Social Democrats, who will give Mr Tosovsky their tacit backing, are also strongly against significant privatisations by the interim government.

The prime minister faces a smoother ride with foreign affairs.

He intends to keep the non-partisan Jaroslav Sedivy as foreign minister, thus providing stability and continuity as the Czech Republic begins accession negotiations with the European Union next spring.

NEWS DIGEST

Ramadan sees Algeria violence

A new wave of violence was reported in Algeria yesterday as Moslems began the holy month of Ramadan. According to the local press 74 people – including children and women – have been murdered in attacks since Saturday. Most were stopped and killed at faka roadblocks.

The latest killings bring to at least 318 the number of civilians slaughtered in the last 10 days, confirming fears of another blood-soaked Ramadan. The last Ramadan, in January and February this year, resulted in dozens of deaths in the capital from a wave of car bombs hlamed on Moslem fundamentalist guerrillas.

Algiers' 3m people have been asked to steer clear of garbage cans and abandoned cars and to raise the alert if they see anything that could contain a bomb. However, no increase in security arrangements has been noted; the attacks have for tha most part targeted remote villages and outlying areas of the city. *AFP, Algiers*

■ FRENCH UNEMPLOYMENT

Jobless total down again

French unemployment fell for the third consecutive month in November, providing an end-of-year fillip for the country's Socialist-led government. Employment Ministry figures published yesterday showed that the seasonally adjusted number of people out of work fell by 9,000, or 0.3 per cent, to 3.11m. This cut the unemployment rate to 12.4 per cent, the lowest for more than a year.

The reduction came as about 300 unemployed people occupied a municipal welfare centre near the Bastille opera house in Paris as part of a three-week-old nationwide action by jobless protesters.

The protesters pressed demands for a FFr3,000 ($500) year-end bonus and a review of monthly benefits. On Monday protesters blocked railway lines in the southern port city of Marseilles, causing delays for holiday travellers.

Robert Hue, national secretary of the French Communist party, which is a junior coalition partner in the leftwing government, said protesters' bonus demands were "legitimate" and should be responded to positively without delay. *David Owen, Paris*

■ ZAMBIA POLITICS

Kaunda ends hunger strike

Kenneth Kaunda, Zambia's former president, has ended a hunger strike he began after being detained under emergency laws on Christmas day, Julius Nyerere, Tanzania's ex-president, said yesterday.

Mr Nyerere, a close friend of Zambia's "father of the nation", visited him in the maximum security prison in the town of Kabwe yesterday and the two shared a small meal. He did not comment on the prisoner's state of health.

Mr Kaunda, 73, who ruled Zambia from independence in 1964 until be was ousted in 1991 in the country's first multi-party elections, had been refusing food and water since his arrest last week for alleged involvement in a failed coup in October against President Frederick Chiluba.

Mr Nyerere said he had met Mr Chiluba after visiting Mr Kaunda in jail, but did not elaborate on the meeting. *Reuters, Lusaka*

■ KOSOVO UNREST

Serb police quash protest

Riot police yesterday broke up a demonstration by Albanian students in Pristina, capital of the southern Serbian province of Kosovo, amid rising protests against the Belgrade government.

The Serb authorities' action came as the European Commission announced it would not renew trade privileges for Yugoslavia next year because Belgrada had failed to improve human rights and meet other conditions set by the EU.

Earlier this month the US also decided to extend financial sanctions against Yugoslavia for another year, in part to press Belgrade to make concessions in Kosovo, where yesterday's demonstration called for the re-opening of Albanian-language schools and colleges.

More than 90 per cent of Kosovo's population is ethnic Albanian, but the province was stripped of its provincial autonomy in 1989, when direct rule was installed from Belgrade.

Since the start of this year 52 ethnic Albanians have been sentenced to prison terms ranging from two to 20 years on charges of terrorism. Last week ethnic Albanian leaders decided to hold unauthorised parliamentary and presidential elections on March 22. *Kevin Done, London*

■ WORLD POPULATION

Survey forecasts 6bn in 1999

Despite a steady decline in global fertility rates, the growing number of women reaching child-bearing age means the world population will reach 6bn by mid-1999 and continue to expand rspidly, a report published by the US-based Population Institute said yesterday.

According to the annual World Population Overview, the overall rate of population growth has been declining steadily due to increased use of contraception, delayed marriages and an increase in death rates.

However, the study strongly criticises recent talk of an impending "population implosion". It says that while 51 countries, including most of Europe, now have below replacement fertility rates, 74, including populous countries like Nigeria, Iran and Pakistan, are still on course to double their populations within 30 years.

The study warns that 3bn people – the equivalent of the population in 1960 – will enter child-bearing years in the next generation while only 1.8bn will leave. As a result, even if fertility continues to decline, it estimates that the annual population increase will remain at around 85m-100m for the foreseeable future. *Mark Suzman, Washington*

■ VIETNAM INVESTMENT

Suez-Lyonnais wins licence

Suez-Lyonnais des Eaux, tha French utilities company, has won a $120m licence from Vietnam for a build-operate-transfer (BOT) water project planned for Ho Chi Minh City. The project would be wholly operated by Suez-Lyonnais over the 25-year life of the BOT, with the company holding a 75 per cent stake and the rest held by Pilecon Engineering of Malaysia.

Demand for water is outstripping supply in Ho Chi Minh City, with an outbreak of typhoid reported earlier this year due to water shortages in poor suburbs.

The award appeared to be an attempt by Hanoi to hoost flagging foreign investment figures before the end of the year. The French company signed a BOT contract a month ago during a visit to Vietnam by President Jacques Chirac.

It is rare for investors to receive licences so quickly due to complex pre-licensing procedures.

Contracted investment in Vietnam is down 40 per cent from last year because of foreign businesses' disillusion over red tape and corruption. Last year the authorities pushed through two projects totalling $2bn hut were embarrassed when one of them fall through after it was revealed that the original investors had been declared bankrupt in Hong Kong before Hanoi licensed their project. *Jeremy Grant, Hanoi*

NEWS: INTERNATIONAL

Kenya's poll chaos brings accusations of vote rigging

By Michela Wrong in Nairobi

All Kenya'e main parties last night alleged wide-scale election rigging as polls closed after a second day of confusion and delay.

Stung by accusations of tampering, President Daniel arap Moi went on the offensive, denouncing what he said was an Electoral Commission scheme to rig voting in traditional strongholds of his Kanu party. While stopping short of calling for the elections to be cancelled, he said be was "extremeiy unhappy" with the eltuation.

His main presidential challengers – Mwai Kibaki, Charity Ngilu and Raila Odinga – had earlier accused the 21-member commission overseeing the polls of infiltration by the government and threatened not to accept the results.

Mr Moi's complaints could rebound on him should he emerge as winner.

While still preparing their final verdicts, foreign and domestic observers privately acknowledged yesterday that the ievel of irregularities, which involved ballot papers being sent to the wrong constituencies, election officials failing to turn up and voting stations opening hours behind schedule, risked discrediting the process.

"This raises serious questions about whether the results can be recognised," said a foreign observer. "I don't think we are going to be able to say these elections were free and fair," agreed one of the 28,000 monitors deployed in the field by Kenyan church and civic groups.

At one station, empty margarine and soap cartons were used to replace missing ballot boxes. In another, officiais photocopied baliot papers to meet demand. Ballot papers meant for Nairobi, the central capital, turned up in Kisumu, on the western border.

Although the Electoral Commission ordered voting to be extended an extra day in affected areas, its vague instructions ensured confusion continned into yesterday. As the first results were being reported by etate radio, many polling stations in the interior had still not received correct ballot papers.

While political players cried foul, most observers agreed that what one newspaper described as "Chaplinesque" polls were the result of incompetence rather than rigging, with the probable exception of Eastern Province, a potential "swing" province.

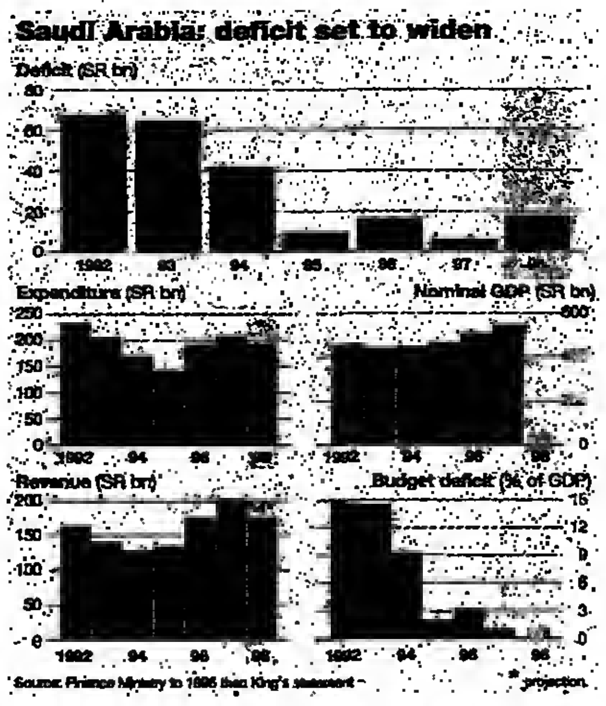
Some monitors speculated that the removal of Mr Zaccheus Chesoni, the controversial head of the Electoral Commission, in the run-up to the poll had sown confusion while others said higher than expected turnout and weeks of beavy rains bad caught it off-balance. "The Electoral Commission seriously underestimated the logistical problems involved," said a diplomat. "They were not sufficiently careful sending ballot papers to the right places, and once you get that wrong you mess everything up."

Altbough many experts agreed with Mr Moi's claim that the chaos was worse in zones loyal to Kanu, the president is still widely expected to emerge victorious, thanks to a disastrously divided opposition.

But his mandate now risks being undermined by the awareness that the chaos has effectiveiy disenfranchised many of the 9m voters.

The danger now is tbat with each presidential candidate assuring their supporters they are being cheated, few Kenyans wili be disposed to accept the outcome, raising the spectre of a violent response to a new Moi administration.

Planned rise in Saudi budget deficit attacked



By Robin Allen in Dubai

Widely divergent views have emerged among iocal and foreign analysts in Riyadh on both the Saudi government's management of the economy and its priorities, following Monday's 1998 budget statement.

The government announced a SR15bn ($4bn) rise in expenditure to SR196bn ($52.3bn), 8 per cent more than projected for 1997 but 6 per cent less than actually spent.

Revenues for 1998 were forecast at SR178bn, 8 per cent more than projected for 1997, despite uncertainty in the oil markets which have seen the average price for Opec's basket of crudes fall by $2 a barrel in the last two weeks.

King Fahd, the prime minister, did not indicate 1998 projections for oil revenues alone, but Saudi and foreign analysts agreed these, which traditionally comprise 75 per cent of the total, were probably based on an average price of $14-$15 per barrel, down from $16-$17 in 1997.

Since last month Saudi Arabia's Opec quota has been 8.76m barrels a day, of which more than 1m b/d are for domestic consumption and other, lesser, amounts allocated to escrow accounts under barter deals.

Although only SR9bn, less than 5 per cent of total expenditure, has been specifically allocated for capital projects such as roads, electricity and construction of schools, much more – nearer SR40bn of capital expenses – is hidden among sectoral allocations. However, an overwhelming proportion – 80 per cent – of total budget spending goes on public sector salaries and maintenance.

Some SR45bn is allocated to tbe oil sector; while SR46bn, almost a quarter of total expenditure, goes on education.

King Fahd did not disclose figures for defence and security, the largest single bead of expenditure which has consistently risen since 1995 from SR64bn to SR67bn in 1997, but is expected to remain about the same in 1998.

According to western bankers the government has not done enough either to restructure the economy away from its dependence on the state and its oil revenues, or to encourage domestic and foreign private sector investment; too little bas been done to follow up subsidy cuts the king initiated in 1995; not enough money is allocated for capital, as opposed to recurrent, expenditure; and to triple the size of the 1998 budget deficit compared with last year is inconsistent with the country's stated intention to balance the budget by 2000.

Saudi analysts disagree. Abdalah Dabbagh, chief adviser to the council of Saudi chambers of commerce, said the only negative factor in the economy was the rise of the budget deficit. "All the other indicators are positive. The gross domestic product is up, commercial bank and private sector activity bas increased, and the oil revenue projections are sound."

He and others agreed, however, that persnading wealthy Saudis to repatriate some of the estimated $470bn kept abroad was crucial if telecommunications, power and port expansions were to be financed. Only the first of these has a timeteble for Implementation; by early next year, according to Ibrahim Al-Asaf, finance minister.

Most analysts agreed with Ali al-Shibabi, a board member of Sandi Hollandi Bank, that "the relative size of annual revenues, expenditures and deficits are less important than completing the regulatory and legal framework to encourage Saudis to invest in their own country.

"Only Saudis can unleasb the potential of the Sandi ecoomy".

Iran sidesteps the US to cultivate its neighbours

Robin Allen assesses Tehran's newly assertive foreign policy as the central Asian oil rush gets under way

High in the rafters of Tehran's Mehrabad airport ewing huge siogans in English carrying a message from Ayatollab Ali Khamenei, Iran's spirituai ieader and ultimate arbiter of his country's foreign policy. "In future," he thunders, "Islam will destroy the eatanic sovereignty of the west."

In a different vein, tbe message is reciprocated in Washington, wbere any company doing more than $20m of oil or gas business a year with Iran can be prosecuted under the Iran-Libya Sanctions Act (Ilsa).

But while fire and brimstone may be the stock in trade for Ayatollah Ali Khamenei and US senator Alpbonse D'Amato, Ilsa'e initiator, Iran'a president Mobammad Khatami is thumbing Iran's nose at the US by cultivating relations with Tehran's 15 neighbours and iuring international oil and gas companies into doing business with Iran.

Monday's $200m gas agreement with Turkmenistan was oniy a small start. Another gos agreement, worth $1.6bn-$2bn, and involving Iran, Turkmenistan, Turkey and Royai Dutch Sbeil was also signed last Sunday.

The US response has been to announce its exemption from Ilsa becnuse it predates the US act coming into force.

Another scalp for Mr Khatami. "Iran's greut advantage," said a western diplomat in Tehran, "is that its energy resources and its own internal development happen to coincide with tremendous interest from western oil and gas companies in central Asia. With its own oil and gas reserves and its geographical position, Iran is bound to be part of the wider interest in central Asia."

Bernard Hourcade, director of the Iranian department at the Centre National de la Recherche Scientifique in Paris, sees Iran's "global mission", its relations with the the west, as iess of a priority today tban under former president Hashemi Rafsanjani.

"Witb tbese countries, Iran is treated as a ieader and a partner. Furthermore, Mr Khatami is surrounded by Arabists and speaks Arabic himself. Mr Khatami is married to the niece of the imam Moussa Sadr, the former Shia Lebanese leader who vanished 20 years ago and was presumed murdered. He is also ciose to Nabib Berri, one of Lebanon's principal Shia leaders. So Mr Khatami's priority is to have relations with both the Arab world and Iran's northern neighbours."

Western oil companies may not always welcome iran's interest. Whiie they beaver away at oil and gas concessions granted by Azerbaijan and Turkmenistan in the Caspian, Iran and other countries bordering tbe region have yet to agree on the extent of each country's iegal right to exploit offshore energy resources.

Turkmenistan is just one of four states with which Iran has points in common. Iran, Russia, Uzbekistan, and Tajikistan as well as Turkmenistan all support president Burbannudin Rabbani, tbe Afghan leeder deposed by tbe Taliban regime that is recognised by Pakistan, Saudi Arabia, and the UAE.

Their recognition of the Taliban could not, Iranians insist, bave been possibie without a nod from the US.

Iran wants an end to the civil war in Afghanistan, and the repatriation of more than 2m refugees from both Iraq and Afghanistan in Iran and adding to its economic problems. It regards the Taliban regime in Kabui as medieval and unstable.

Iran has its own, more logical, version of the "dual containment" policy practised by the US against Iran and Iraq. Iran's policy consists of trying to contain instability from Iraq in the west and Afghanistan in the east. Both countries' internal problems give Iran reasons for focusing its efforts on building stable relations with other neighbours.

Russia, meanwbile, is viewed as a source of military and technical aid and its co-operation a pre-requisite to Iran exploiting Caspian sea oil.

Under President Khatami, Iran has also started to improve relations with Gulf Arab states to the south. It has initiated full diplometic relations with Bahrain, strengthened its air iinks with Saudi Arabia, and since the Organisation of Islamic Conference summit in Tehran this month, improved ties with both Kuwait and the UAE.

Dubai is one of Iran's most important sources of imports – and the most important for much needed US goods and services. Dubai is also the most important regional entrepot for goods going to Azerbaijan, Turkmenistan and other centrai Asian states.

As for the European Union, Iranians say it just wants to do business, regardless of US sanctions and with or without the "critical dialogue" that was espoused by Brussels before a diplomatic incident last Marcb with led to the withdrawal of ambassadors from botb sides. The incident followed a Berlin court verdict that indicted members of the previous Iranian administration on charges of complicity to murder. The dialogue remains suspended.

Fraoce's oil company Total was simply showing the way to other EU states when it signed up to develop Iran's offshore gas fields with Indonesian and Russian partners, which care as little as the EU about the threat of US sanctions.

US oil companies, Iranians say, are just as eager to do business. Like Iran, they are waiting for US politicians to catch up with the times.

SGS Société Générale de Surveillance Holding S.A. Geneva

Public offer to repurchase SGS bearer shares of par value CHF 100 each and registered shares of par value CHF 20 each, in order to reduce the nominal value of the Company's share capital by a maximum of CHF 1,500,000, representing a maximum of 15,000 SGS bearer shares (or 75,000 SGS registered shares), equivalent to a reduction of 0.87% of the Company's share capital. This offer is made pursuant to the announcement on October 16, 1997 of the Company's intention to repurchase (buy back) and cancel up to 15% of its share capital over a two year period.

Previous offers Pursuant to the decision of the Board of Directors ("Board") of SGS Société Générale de Surveillance Holding S.A. ("Company" or "SGS") of October 30, 1997, and announced on October 31, 1997, the Company offered in November 1997 to repurchase its bearer shares at a gross repurchase price of CHF 3,000.- and its registered shares at a gross repurchase price of CHF 600.-. Pursuant to such offer, the Company repurchased 105,628 SGS bearer shares and 179,471 SGS registered shares for a total nominal value of CHF 14,152,220, i.e. 8.2% of the Company's share capital. On November 28, 1997, the Board announced in the electronic media its decision not to make an offer to repurchase shares in December 1997.

Decisions of the special shareholders meeting taken on December 16, 1997 On December 16, 1997, during an extraordinary shareholders meeting, the shareholders of the Company decided to cancel the shares repurchased pursuant to the November 1997 repurchase offer and consequently to reduce the share capital of the Company. At this shareholders meeting the program of repurchase announced on October 16, 1997 was modified. As a result, each offer to repurchase shall remain open for 4 business days. In addition, the Board may, at its sole discretion, decide to limit the number of shares to be repurchased in each offer.

Repurchase offer in January 1998 Pursuant to the decision of the Board, taken on December 29, 1997 and announced on December 30, 1997, the Company offers to its shareholders to repurchase their bearer shares and registered shares up to a maximum par value of CHF 1,500,000 for subsequent cancellation. The Board intends, at a subsequent shareholders meeting, to propose that the share capital of the Company be reduced by the nominal value of the bearer and registered shares which bave been repurchased from the Company's shareholders pursuant to this offer and any such future offers.

Repurchase price per bearer share	CHF	2850.-	gross repurchase price
	CHF	962.50	less Swiss withholding tax (35% of CHF 2750.-)
	CHF	1887.50	net repurchase price
Repurchase price per registered share	CHF	570.-	gross repurchase price
	CHF	192.50	less Swiss withholding tax (35% of CHF 550.-)
	CHF	377.50	net repurchase price

Offer period From December 31, 1997 to January 7, 1998, 4.00 pm, Swiss time (receipt).

Notification Shareholders should contact their respective banks or one of the offices in Switzerland of Union Bank of Switzerland to accept the offer of repurchase.

Bank in charge of the settlement Union Bank of Switzerland, 8021 Zurich.

Allocation If the total amount of the nominal value of shares ootified for repurchase pursuant to this offer exceeds CHF 1,500,000, repurchases by the Company shall be proportionally reduced on the basis of the total nominal value of the shares notified for repurchase. Allocations shall be carried out via the banks on January 8, 1998.

Payment of repurchase price and delivery of shares Payment for the shares repurchased pursuant to this offer will be made against delivery of the shares with value date January 12, 1998 at the net repurchase prices (defined above) without deduction of any charges.

Taxation The shareholder who sells his shares to the Company is subject to tax and is responsible for ensuring that he is appropriately advised in respect of his tax position.

Swiss withholding tax

The tax is calculated as 35% of the difference between the gross repurchase prices (defined above) and the nominal value of the shares. The Company shall deduct the amount of the withholding tax from the gross repurchase prices for the account of the Swiss Federal Tax Authorities.

The Swiss Federal Tax Authorities have confirmed to the Company that shareholders are entitled to a refund of this tax provided they already owned the shares on December 29, 1997 and that they meet the other legal requirements for a refund.

Federal stamp duty

The repurchase by the Company of its own shares in connection with a reduction in capital is not subject to stamp duty on negotiation of securities.

Direct federal tax

If the shares form part of the personal assets of the shareholder, the sale of such shares to the Company constitutes, pursuant to the principle of direct partial liquidation, a taxable income equal to the difference between the nominal value of the shares and the gross repurchase price. If the shares form part of the commercial assets of the shareholder, a taxable profit will arise equal to the difference between the book value and the gross repurchase price of the shares (principle of book value). The principle of direct partial liquidation has no influence on his tax situation.

Cantonal taxes

The cantonal income tax treatment depends on the cantonal tax in force at the taxpayer's residence or domicile. Most cantonal legislation follows the treatment applied for the direct federal tax (principle of par vs. book value). Whether or not the transaction is subject to a cantonal income tax in specific cases will depend on the ruling in the cantonal jurisdiction concerned.

Applicable law and place of jurisdiction This offer is governed by Swiss law and subject exclusively to the Geneva courts.

Federal Act on Stock Exchanges and Securities Trading ("SESTA") The present offer, being published on December 31, 1997, is not governed by the new regulations of the SESTA which come into force on January 1, 1998.

Geneva, December 31, 1997

SGS Société Générale de Surveillance Holding S.A.
The Board of Directors

	Swiss Sec. Code	ISIN
SGS bearer share	249.746	CH0002497466
SGS registered share	249.745	CH0002497458

The Financial Times plans to publish a Survey on

US Power Industry

on Tuesday February 3 1998

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FT Surveys

CALL FOR TENDERS
FOR THE SALE OF A PLOT OF LAND
"BARCO SA TEXTILE INDUSTRIES"

"ETHNIKI KEPHALEOU S.A. ADMINISTRATION OF ASSETS AND LIABILITIES" of 9a Chrysospiliotissis St. Athens 10560, Greece in its capacity as Liquidator of "BARCO SA TEXTILE INDUSTRIES" a company with its registered office in Athens, which is presently under special liquidation according to the provisions of Article 46a of L.1892/90 by virtue of decision No. 263/1993 of the Athens Court of Appeal.

announces a call for tenders

for the sale of a plot of land described below:

A plot of land covering 167.20 sq.m. according to the title deeds and 110.82 sq.m. following street alignment, in O.T.289, in the Municipality of Metamorphosis, Attica. This has been declared common use area

TERMS OF SALE

The sale will take place by way of public auction in accordance to the provisions of article 46a of L.1892/1990 and the terms mentioned in the Call for Tenders and the relevant Offering Memorandum. The submission of a tender implies the unreserved acceptance of all these terms. Interested parties are invited to submit written, sealed bids by Monday, 26 January 1998, 12:00 noon at the office of Mr. Elias Kariofilis, Public Notary at the address: 7, Kratinou Street, 105 51 Athens, tel: 3243393. Bids submitted should be accompanied by a letter of guarantee, to remain valid until adjudication, for the amount of Drs 800,000 (sample letter of guarantee is included in Offering Memorandum). The unsealing of the bids submitted will take place on Monday, 26 January 1998, at 2:00 p.m., at the above Notary Public's office.

SUBMISSIONS OF EXPRESSIONS OF INTEREST - OFFERING MEMORANDUM

In order to obtain the Offering Memorandum in respect of the above sale and for any further information, please contact ETHNIKI KEPHALEOU S.A. ADMINISTRATION OF ASSETS AND LIABILITIES, Liquidations Department, 9A Chrysospiliotissis St., 10560 Athens, Greece, Tel: +30-1-32.31.484-87. Fax: +30-1-32.17.905.

IMF capital adequacy demands may hit financial stability again

Korea banks seek to haul in debts

By John Burton in Seoul

South Korea is bracing today for possible corporate bankruptcies as domestic banks try to collect debt payments by the end of the fiscal year to meet capital adequacy levels demanded by the International Monetary Fund.

The new threat to Korea's financial stability overshadowed reports that foreign banks were preparing to roll over short-term debts and extend maturities in an apparant easing of the nation's overseas debt crisis.

Meanwhile, South Korea yesterday announced that its total external debts amountad to $153bn as of December 20 under a new definition approved by the IMF. But the amount excluded borrowings by offshore subsidiaries of Korean conglomerates and deposits in overseas accounts of Korean banks, which are estimated as at least $50bn.

"We hope the foreign debt crisis is nearly solved, but we are still in great danger of suffering corporate bankruptcies if the banks call in loans," said Chang Che-shik, an MP and economic adviser to Kim Dae-jung, the country's president-elect.

The Korean currency, the won, ended a day of wild fluctuations by closing at 1,590 against the US dollar, down from 1,395 on Monday, as companies sought dollars to settle external accounts by year's end.

Interest rates in the benchmark three-year bond market jumped 140 basis points to 30.89 per cent, with companies desperata to raise funds to pay debts to domestic banks. "No one wants to buy corporate bonds because of the risks of possible insolvency," said one Korean securities analyst.

At a meeting with 22 bank presidents, Lim Chang-yuel, finance minister, urged the banks to extend lending to companies. Banks are under pressure to meet Bank for International Settlements capital adequacy levels, as demanded by the IMF, to avoid being closed or merged. But Mr Lim said the banks were "irrational" in rushing to collect debts to improve their capital base as they would not be required to meet BIS standards until March 31, although the fiscal year will end tomorrow.

"Banks are required to support the corporate sector actively to ease liquidity constraints," aaid Mr Lim. "Although the government has extended sufficient aid to help banks meet the BIS adequacy ratio of 8 per cent, the banks are still reluctant to resume lending."

The finance ministry has pnrchaaed Won4,500bn ($3bn) in bonds issued by banks to improve their capital base. But banks remain cautious in extending new corporate loans because of worries that the severe economic slowdown will lead to defaults among Korea's highly leveraged companies and rednce chances of meeting the BIS standards within the next three months.

The foreign debt exposure of Korean conglomerates is adding to the uncertainty. Tha external debt figures released yesterday said foreign debt borrowed directly by companies in Korea amounted to $43.2bn as of December 20, but the estimate excluded corporate borrowings mada offshore as the Korean government has not guaranteed them.

In contrast, the Seoul government has guaranteed the repayment of all foreign debt by financial institutions, which owed $98.8bn as of December 20. Foreign dabt for the pnblic sector amounted to $11bn, including $9bn in loans alresdy provided from tha IMF's $57bn bail-out programme this month. Seoul said recognised short-term debt was $92.2bn at the end of November, while long-tarm debt was $64.7bn.

Two Korean girls change currency at a Seoul bank *Reuters*

Malaysia to merge finance houses

By Sheila McNulty in Kuala Lumpur

Bank Negara Malaysia, the central bank, yesterday confirmed planned mergers of several finance houses to enable the country'a stronger companies to bail out the weaker ones.

A central bank spokesperson said the authorities were hoping to appoint a core group of the stronger finance companies as an anchor to which the smaller, weaker ones could be attached. Bnt the plan is still being finalised, with datails to be announced in the first week of January.

Although the government has said there would be no bail-outs of companies or banks, analysts said tha mergers were clearly aimed at rescuing finance companies hit by the regional financial crisis.

They aaid a aimilar restructuring of the banking sector was also likely, to be followed by a rescue plan for brokerage houses.

The main finance companies so far being considered for anchor status are backed by banks; Arab-Malaysian Finance, Mayban Finance, Public Finance and Hong Leong Finance. Bank Negara has long supported mergers among the 39 finance companies to consolidate and strengthen the sector before opening it to foreign competition, a mova previously resisted by the companies. Since the financial crisis, many have been left with a growing burden of non-performing loans, prompting a more flexible approach to possible mergers.

Total outstanding loans are expected to amount to 170 per cent of gross domestic prodnct by the end of this year, making Malaysia the most beavily indebted country in south-east Asia and leaving economists predicting growing defaults as the economy slows.

The government predicts the economy will grow at 4-5 per cent next year, down from an earlier forecast of 7 per cent. Economists say non-performing loans are running at a rate of 5-6 per cent and could rise as high as 16.7 per cent next year.

Over recent months depositors have been deserting smaller, riskier finance companies and banks for larger and foreign institutions, increasing the likelihood of collapse for some finance companies.

China crackdown on internet 'subversion'

By James Harding in Shanghai

China yesterday announced a aeries of regulations to control use of the internet – an attempt to crack down on network users that the Beijing leadership claims are leaking state secrets and disseminating "harmful information".

The Chinese government has shown an ambivalent attitude towards the internet in the past, instinctively wary of its potential to spread snbversive information while drawn by its capacity to shoulder technological innovation.

But yesterday'a announcement marks a tightening of the regulatory environment for internet users, bringing the new medium into line with other forms of mass communication that are strictly controlled by the government.

Zhn Entao, assistant minister for public security, laid out the regulations which will cover crimes sucb as leaking state secrets, political anbversion and spreading pornography and violence.

The regulations, which includa 25 articles, were approved by the State Council, China'a cabinet, earlier this month and took effect yesterday. The new laws go beyond earlier provisional regulations first promulgated in February 1996 and revised in May 1997, which also ban pornography and warn against leaking state secrets.

According to the statement released by Xinhua, the official news agency, the rules are intended to protect against computer hacking, viruses and other computer-related crime. They promise "criminal punishments" and fines of up to Yn15,000 ($1,800) for internet providers and users who violate China's rules governing use of the net. They will apply both to individuals and businesses.

The government statement makes an implicit attack on users of the internet who have sought to promote the separatist movements in Tibet and Xinjiang, the Moslem region in the far west of China, by alleging that some internet nsers have been involved in efforts to "split the country".

Another element of the regulations released yesterday appears to be aimed at political dissidents by outlawing transmission of information that "defames government agencies".

Mr Zhu said internet links since 1994 had boosted China's cultural and scientific relations with the world. But, he added, "the connection has also brought about some security problems, including manufacturing and publicising harmful information, as well as leaking state secrets through the internet".

The internet regulations are intended to cover information transmitted from Hong Kong, Macao and Taiwan.

Under the new rules, internet providers will be aubject to supervision by China's Public Security officials and will be expected to help track down violators of the internet laws. But yesterday's statement gave no indication of what further resources Beijing might commit to policing the internet in the future.

The Internet Information Centre of China shows that more than 49,000 host computers and 250,000 personal computers were connected to the internet at the end of October.

Thai surplus fails to impress investors

By Ted Bardacke in Bangkok

Thailand had its first current account surplus in more than a decada in the months of Ssptember and October, a aign that the country's precarious external position is beginning to improve, the country's central bank said yesterday.

Yet the improvement in the current account to a surplus of Bt2.9bn in September and Bt26.3bn in October, accompanied by a sharp rise in the October trade surplus to Bt23.3bn, has yet to translate into a return of confidence in the economy by foreign investors.

Thailand recorded a balance of payments deficit in November of Bt185bn, compared with a surplus of Bt58.3bn in October that was the result of an injection of cash from the rescue package arranged by the International Monetary Fund.

Economists said private capital inflows would probably not resume until Thailand's trade surplus was the result of strong export growth.

Despite added competitiveness brought on by devaluation of the baht, exports in dollar terms have increased only 4.6 cent through the first 11 months of the year, while imports have fallen 9.8 per cent as a result of the shrinking economy.

"Most of the surplus is still import contraction. That's not the picture you want," said Paul Alapat, economist with Indosnez W.I. Carr in Singapore. Mr Alapat predicts voluntary capital flows are unlikely to return until export growth reaches 12 to 15 per cent for several months.

Many Thai exporters have been unable to take advantage of their new currency competitiveness because of interest rates that remain above 20 per cent and a hoarding of cash by commercial banks which are being forced to raise capital early next year.

Other central bank data sbowed the depth of Thailand's economic slowdown. Manufacturing production in October was down 12.3 per cent from the same period last year, while private investment dropped 0.2 per cent. Most economists are predicting the Thai economy will shrink by at least 2 per cent next year.

Foreign reserves as of December 15 rose slightly to $26.9bn from $26.3bn at the end of November, as did the central bank's net forward contracts, whicb stand at $18.7bn. The central bank also said that at the end of October Thailand had a total of $92.9bn in foreign debt, of which 34.4 per cent matured in 12 months or sooner.

Private sector obligations accounted for $70.7bn, government debts were $17.2bn and the Bank of Thailand owed $5.1bn to the IMF.

Taiwan irks China over trip

By Laura Tyson in Taipei

Lien Chan, Taiwan's vice president, will visit Singapore over the New Year in a rare overseas trip that has ruffled feathers in Beijing, which feels Taipei is not entitled to foreign relations.

The planned visit may have diplomatic motives, but is also intended to play to a domestic audience as Mr Lien shifts his 2000 presidential election campaign into high gear.

Billed as a "holiday" by Taiwan's foreign ministry, Taipei is not saying whether the January 1-4 trip will include meetings with top officials.

"The vice presidential couple will use their New Year holiday to go to Singapore for a four-day visit with their friends and family," the ministry said.

China has warned Singapore not to damage bilateral relations, but stopped short of demanding that the city-state cancel the planned visit.

"We are seriously concerned about this news and have made representations to the Singapore side," Tang Guoqiang, China's foreign ministry spokesman, said yesterday. "We hope the Singapore government will, proceeding from the overall friendly interests of the two nations, solve this problem and avoid unnecessary interference or damage to bilateral relations," be said.

Goh Cbok Tong, Singapore's prime minister, annoyed China by making a surprise November 28 "transit stop" in Taiwan, where he discussed Asia's currency crisis with Vincent Siew, Taiwan's premier, at Taipei airport.

Beijing cautioned Singapore that its ties with Taiwan must remain limited to unofficial economic relations. Singapore formally recognises the communist People's Republic of China, bnt maintains extensiva trads and investment ties with Taiwan.

Beijing has regardsd the island as a rebel-held provincs insligible for foreign ties and has tightened a diplomatic squeeze on Taipei in its quest to bring Taiwan under mainland rule.

Under pressure from Beijing, Taiwan officials have engaged in "vacation diplomacy" to carve out what Taipei calls international "survival space" for Taiwan.

Asian whirlwind could soon prove Vietnam's problem too

To some of the hardened Ideologues in Hanoi, the Asian financial crisis may look like someone else'a problem. While currencies and markets gyrate, communist-run Vietnam, with no convertible currency or stock market, seems an island of calm amid the capitalist turmoil.

But economists say such a view would be a mirage. The contagion that so quickly found victims ln Asia has started to affect Vietnam's $25bn economy.

"There are some extraordinarily worrying signs emerging," says Andrew Steer, the World Bank's Vietnam-country director. "It's obvious Vietnam is going to be affected much more than initially thought."

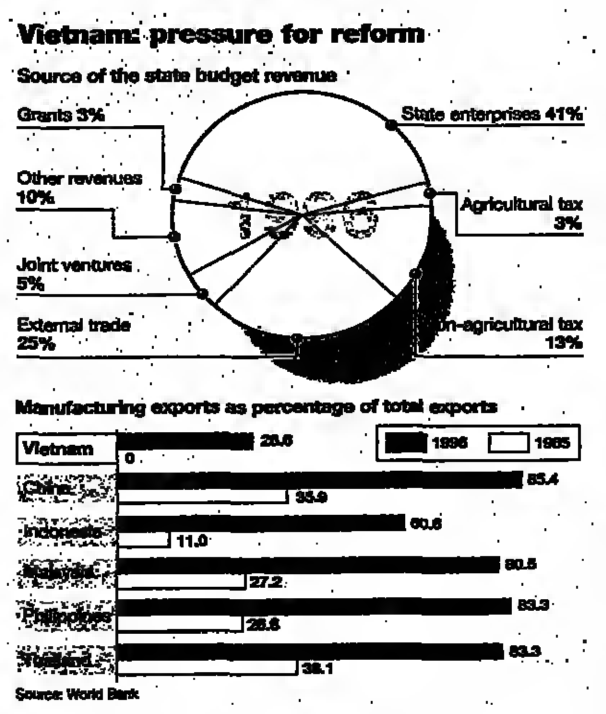
Regional currency devaluations have blunted the competitiveness of Vletnam's exports, what little of them are value-added goods. Bankers say the currency is some 30 per cent overvalued. Any retreat by Asian investors will hit Vletnam hard, because 70 per cent of its foreign investment comes from elsewhere in Asia.

This means intense pressure on Hanoi's new leadership to move ahead with stalled economic reforms, most urgently among the state-owned enterprises (SOEs).

Most of Vietnam's 5,700 SOEs are in a mess, crumbling in the face of foreign competition despite privileged access to loans and the cushion of tariffs. According to Le Dang Doanh, an economist, most operate witb obsolete machinery; up to a third of capital stock is useless.

Official numbers show SOE output growing but this is mostly because statisticians lump the loss-makers together with lucrative joint ventures with foreigners, a significant distortion as 98 per cent of such ventures are with SOEs.

Vietnam: pressure for reform



Source: World Bank

Also, SOEs are lumbered with big debts, the result of politically inspired lending by state-owned banks. This threatens the banking system and, ultimately, Vietnam's fiscal position, the World Bank says. The fact that the sector accounts for 41 per cent of state budget revenues means far-reaching reform is urgent.

Phan Van Khai, prime ministsr, recantly announced a plan to cut away non-performing SOEs and concentrate on 300 of the most bealthy. Another 150 will be auctioned off, some possibly to foreigners. But observers say the plan fails to level the field between SOEs and the private sector, seen as the best hope for building export-led growth. Nor does it yet have backing from tbe ruling Politburo.

"The Vietnamese process hasn't got as far as the Chinese. There is no consensus yet that the state sbould withdraw from direct production," says Ari Kokko of the Stockholm Institute of Economics.

The main impediment is vested interests. At the state-owned Dong Nai Paper enterprise, in a sprawling industrial zone outside Ho Chi Minh City, its director, Bao Hoan, says the government should protect strategic industries.

"In terms of technology, we are 20 years behind other countries. If you ask SOEs to compete on equal footing [with foreign companies], it's almost like asking for a football match between Vietnam and the best British team."

Some sympathise with the view that atrategic industries need tims to become competltive. Bnt critics doubt that all the chosen 300 in Mr Khai's plan are strategic, suspecting the net has been cast wide to protect monopolies intertwined with the political élite.

"Aside from utilities, I don't see much justification for monopolies," says Jean-Luc Berlasconi, economist at the United Nations Development Programme. "They'll just provide some rent to the monopolists at the expense of the rest of society."

One of Dong Nai Paper's "strategic" products, for axample, is a classroom notebook, produced on discounted interest rates from state-owned banks.

Economists say Hanoi must cut the links between SOE managers and ministries controlling access to business licences. But that will be hard, given many big SOEs are doing nicely out of the licence regime. The military, which cootrols many strategic SOEs, is also likely to resist such moves.

"There's an obvious conflict of interest if you have the fox guarding the hen house," says Fred Burke, a lawyer witb Baker & McKenzie. "The lobbies have got stronger. Now, thers are Vietnamese companies with real revenues they want to protect." As for privatisation, Vietnam is still feeling its way. A scheme launched in the early 1990s has seen only 14 companies auctioned off, raising $15m. A stock market is years away.

General Le Kha Phieu, appointed on Monday as Communist party general secretary, appeared to favour only cautious moves in his first comments since taking office. Regional economic woes would have "some impact on our economy" and it was important to "continue the re-organisation of state-owned enterprises".

But Carlyla Thayer, professor of politics at the Australian Defence Force Academy, says: "It will be business as usual: muddling through, with no firm action on SOEs."

Observer, Page 9

Jeremy Grant

Sonia Gandhi ignites campaign

By Amy Louise Kazmin in New Delhi

India'a rightwing Bharatiya Janata party (BJP) yesterday warned its rival, the battered Congress party, that the entry of Sonia Gandhi, widow of former prime minister Rajiv Gandhi, into the election fray could become an explosive campaign issue.

Until Monday the BJP seemed poised for unprecedented electoral gains, as the divided Congress suffered a spate of defections and failed to tie up key poll alliances in the run-up to a general election expected in February or March.

However, the dramatic decision by the 51-year-old, Italian-born widow to make a public foray into politics to campaign for Congress, the party indelibly associated with her husband's family, adds new uncertainties.

Congress leaders hope that when she hits the campaign trail Mrs Gandhi will galvanise support from rural Indians nostalgic for the atroog leadership of the Nehru-Gandhi dynasty – Jawaharlal Nehru, hia daughter Indira Gandhi, and her son Rajiv.

That support, they hope, will be enough to help them garner sufficient parliamentary seats to keep the BJP from power.

But BJP leaders said Mrs Gandhi'a participation in the campaign would neither save Congress nor threaten the BJP's electoral prospects. "If Nehru, Indira Gandhi and Rajiv Gandhi could not check the growth of tha BJP, how can Sonia Gandhi check the growth of the BJP?" asked BJP spokeswoman Sushma Swaraj.

Instead, Ma Swaraj warned, Mrs Gandhi'a campaigning would revive dormant but unresolved issues from her husband's tenure as prime minister, including allegations of involvement in a kickback scheme to buy guns from Bofors, the Swedisb weapons producer.

Tha BJP would also question whether someone born outside India should play a prominent role in national politics. "If she is the chief campaigner of the Congress then all thosa issues are bound to come to the fore," Ms Swaraj said.

Congress leaders, however, are confident that such criticism would carry little weight with the rural masses, who have taken Indira Gandhi's daughter-in-law into their bearta. "The Indian public has accepted Sonia Gandhi as very much a part of India," Congress spokesman V.N. Gadgil said yesterday.

Political observers said Mrs Gandhi's impact on the election would depend partly on wbether ahe became a candidate or remained a "token campaigner", and whether she was projected as the party's *de facto* prime ministerial candidate.

Pressure is already mounting within the party for her to run for parliament. But Mrs Gandhi, who has yet to appear in public since ber announcement, has not clarified the extent of her intended campaign role. Meanwhile, several Congress defectors said they would not rejoin the party unless Sonia Gandhi became leader.

Indians rush for tax amnesty

By Amy Louise Kazmin in New Delhi and Krishna Guha in Bombay

Large crowds are expected to flock to banks and tax offices throughout India today as citizens take advantage of the last day of an amnesty for tax avaders.

The rusb bas been fuelled by a highly visible advertising campaign. The message has beeo hammered bome by a series of tax raids and letters sent to cellular pbone users, home and car owners and other visibly affluent Indians, asking them to account for their spending.

"We have been doing a lot of silent homework," said N.K. Singh, revenue secretary. "Those who don't avail themselves of the scheme will not find life very easy."

India's Voluntary Disclosure Scheme was initiated in July as part of a tax restructuring programme launched by P. Chidambaram, finance minister, and aimed at widening the country's tiny tax base.

Only 12m of India's 950m citizens file tax returns, and even those who do understate their earnings. But Mr Chidambaram gambled that revennes could be increased if tax rates were lowered and more people opted to pay.

In his budget last March he lowered the maximum personal income tax rate to 30 per cent and corporate tax to 35 per cent, at the same time offering an olive branch to tax dodgers if they disclosed hidden assets.

Under the scheme, companies and individuals can pay the new tax rates, without penalty, interest or surcharge on previously undeclared assets, including property, cash and jewellery. Declarants are immune from prosecution concerning those assets.

The government has spent about $8m on advertising. Since August Indians have been bombarded with television and newspaper announcements touting the advantages of declaring hidden assets. Recently the adverts have taken on a more menacing tone, warning citizens to act while they still have time.

"It has been carrot and stick," says N.P. Satyamurthy, senior media consultant at Ogilvy & Mather, whicb developed the campaign along with Hindustan Thompson Associates.

"Initially we wanted people to come oo their own without panicking. In the last 45 days it has been 'you come or we will come [after you]'."

Tax amnesties have been tried before without much success, and the latest scheme was greeted with some scepticism. But officials said participation had been encouraged by reasonable tax rates, and the lack of penalties. "The cost of managing black money would only be incrementally lower than taxes," Mr Singh said.

No collection target has been publicly announced, but Mr Singh said the scheme had "more than matched expectations".

He declined to say bow much money had been mopped up, but estimated 150,000 declarations would be filed by the deadline and total takings would exceed $800m.

"That's just a fraction, however, of India's hidden wealth. Most analysts say Indian tax officials must still prove they are serious about enforcement before citizens are persuaded to reveal their true worth."

Vinod Chandiok, a New Delhi-based chartered accountant, said: "It's a threat only for the timid. But tax evaders are not timid."

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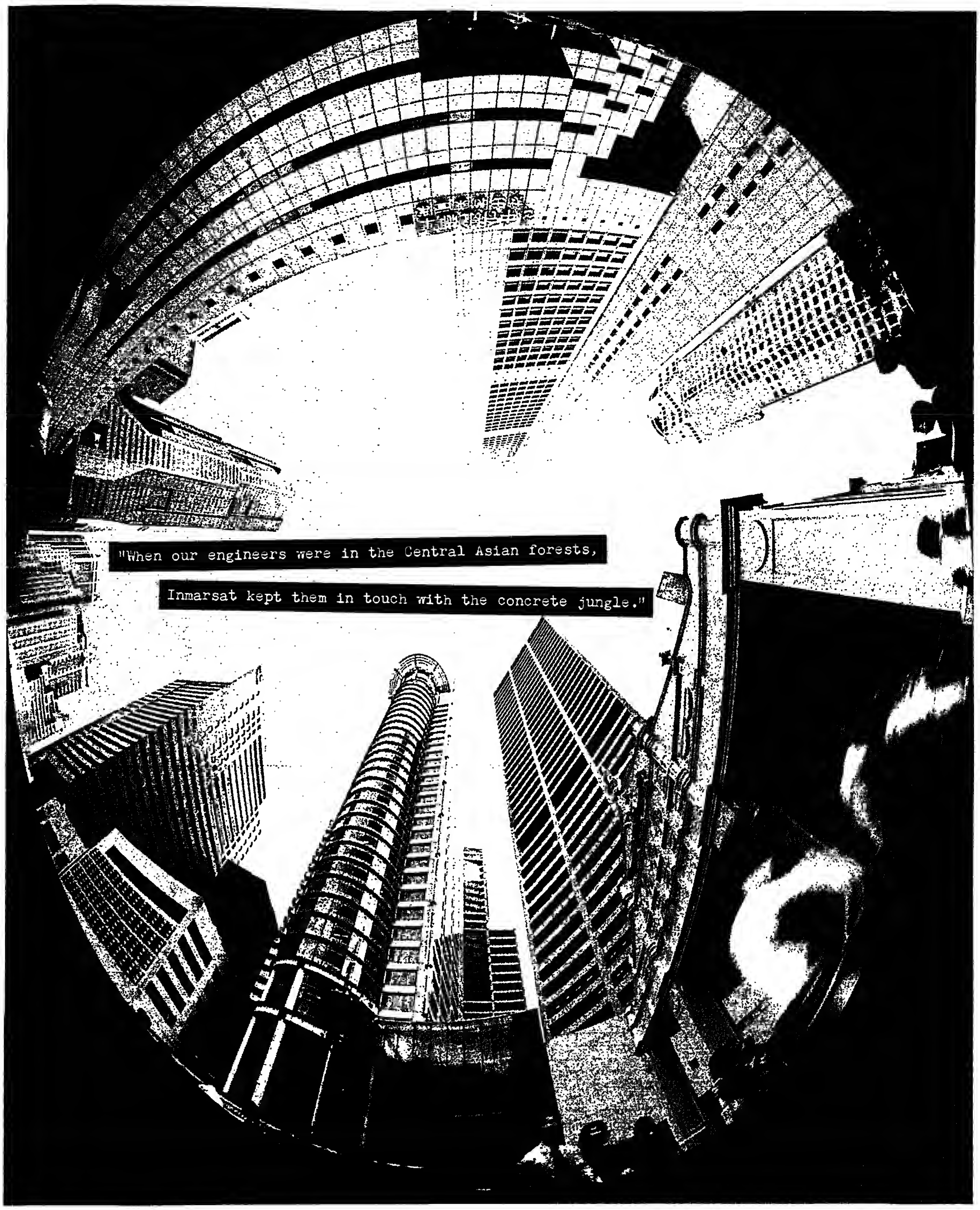

When mechanical failure delayed their Namsong River diversion project in Laos, the Hazama Corporation of Japan faced an even bigger problem: the site was in deepest jungle, miles from any reliable conventional communication facilities.

Using Inmarsat's direct satellite technology, the company's offices and the site were able to stay in constant contact by phone, fax and even e-mail, ensuring that spare parts were quickly shipped out. Of course, it's not just construction companies who benefit from Inmarsat. The service is also proving indispensable to people like corporate executives...oil industry businessmen...truck drivers away from base...government officials...anyone who needs to stay in touch wherever they are.

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Opposition party says cost to public sector three times more than government predicts

Computer 'bomb' cost estimated at $5bn

By David Wighton, Political Correspondent

Tackling the millennium computer "bomb" could cost the government £3bn ($5bn), three times the amount ministers have predicted, according to analysis by the opposition Liberal Democrat party.

The figures, compiled from information supplied by central government departments, local government and the National Health Service, compare with ministers' forecasts of £370m for central government and about £1bn for the public sector as a whole.

Malcolm Bruce, the Liberal Democrats' Treasury spokesman, said the new estimate underlined his fear that the government was not taking the threat seriously enough. He said the problems caused by computers which cannot distinguish between dates in the 20th century and the 21st century were already being felt within government departments.

Calling for a National Audit Office inquiry, he warned that the costs of reprogramming computers could put public sector budgets under acute pressure.

"Because of Labour's acceptance of Tory [Conservative] spending plans, there is no extra money being made available to deal with the problem. I am convinced that the NHS, our armed forces and local authorities are going to have a real problem on their hands come the year 2000," he said.

Last month, David Clark, the public services minister, told the House of Commons that it would cost £370m to prepare central government computers for 2000. He admitted he had no estimate for the cost to the whole public sector but said the Liberal Democrats' prediction of £1bn was about right.

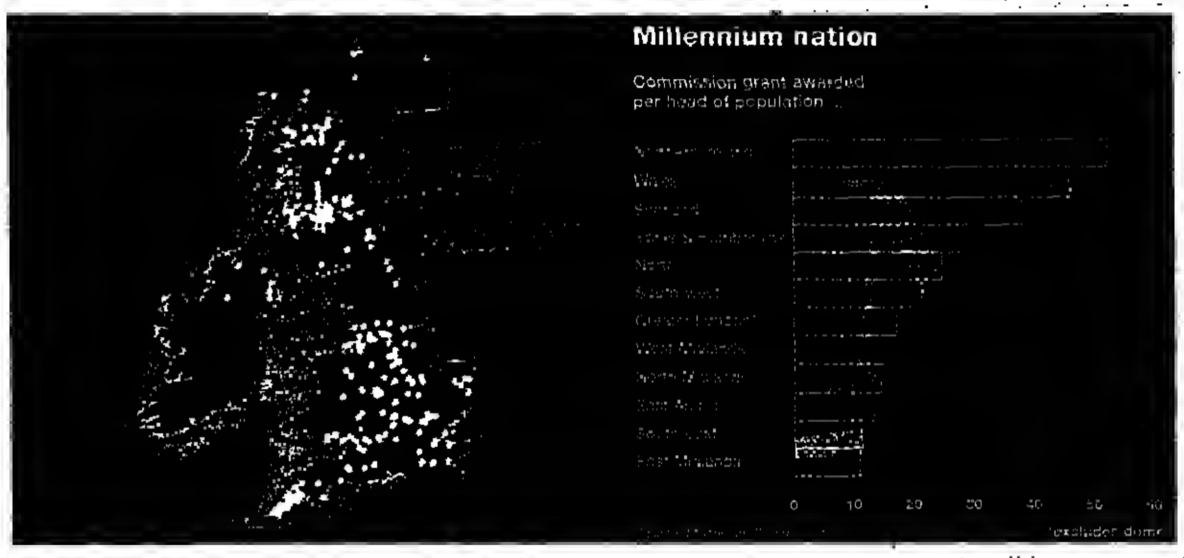
Now Mr Bruce has revised that earlier estimate from £1bn to between £1.9bn and £3bn.

The figure includes an estimate of £500m for the NHS, based on calculations by Professor Mike Smith of St Bartholomew's Hospital in London, and another £500m for local authorities. Mr Bruce estimates that a further £150m will need to be spent by other public sector bodies.

Given the government's lack of preparation – it had spent only £4m dealing with the problem by July this year – private sector experience suggests it would be prudent to factor in cost overruns of between 25 per cent and 100 per cent, according to Mr Bruce. He pointed to the example of Unilever which recently trebled its estimate for tackling the millennium bomb to £300m.

Mr Bruce said that even £3bn could be too low in the light of a parliamentary answer from the Department of Health. The department said the best estimate was that tha cost of resolving the problem would be equivalent to annual expenditure on computer systems. For central government alone, that expenditure is £2.5bn a year.

Media presses in millennium dome debate



The Millennium Commission – charged with the unenviable task of organising the UK's year 2000 celebrations – wanted to stay tight-lipped about its most controversial project at a press conference yesterday.

But a watchful media had other ideas and officials faced a barrage of questions about the Millennium Dome, the controversial flagship structure being built at Greenwich, south London.

The commission unveiled its new logo, a blue M hovering over an orange crescent, along with a map of projects and a website.

The aim was to highlight 185 other schemes around the country which have been granted more than £1.2bn ($1.9bn), but which are starved of publicity by the dome, intended to be the focus of Britain's millennium celebrations.

But it was soon discovered that by "an oversight" the dome had been left off a website map of big projects. There were passing references to the dome – the commission is contributing £450m of its £758m budget – but in less detail than the regional landmark projects. Officials were updating the map last night to include the dome. "It's not a conspiracy and it will be on there. We thought it was on there already," said Mike O'Connor, policy director.

Then it emerged that the logo, part of a £25,000 branding exercise, may not feature in the dome. New Millennium Experience, the company organising the Greenwich extravaganza, is devising its own logo.

"These things are for different purposes. One is a national event in the year 2000. What we are trying to do is generate a family identity for longer-term projects throughout the country," said Eric Sorensen, the commission's chief executive.

Officials said the logo – the "millennium mark" – represented the dawning of the millennium, not M for Mandelson, the minister in charge of the dome. It was devised by consultant Lloyd Northover Citigate.

The commission also disclosed figures showing that Northern Ireland had been awarded the biggest grant per head of population (£52.40). The east Midlands (£11.29) and south-east (£11.31) received least. London was mid-table, but if the dome was included its figure would soar to £80. Comparisons are difficult because £57m of the dome's budget is for regional events.

Brian Groom

Millennium Commission website: http://www.millennium.gov.uk

Numbers deal heralds full telecoms competition

By Alan Cane

The most important barrier to full competition in UK telecommunications collapsed yesterday as Oftel, the industry regulator, announced agreements on reciprocal number portability with all main operators.

Don Cruickshank, Oftel director-general, said the agreements would guarantee that telephone users will be able to keep their numbers when switching operator. More than 50 offer full telecoms services in the UK, but customers have been reluctant to take advantage of lower prices because of the risk of losing a familiar telephone number. Until now portability has been possible only when moving from or to British Telecommunications.

Portability was introduced in the UK 18 months after a fierce five year battle between BT and Mr Cruickshank over who should pay the bill for the engineering modifications required. That led to an unprecedented reference by Oftel to the Monopolies and Mergers Commission, which ended in a technical victory for the regulator.

Mr Cruickshank said yesterday: "Since number portability started in June 1996, more than 150,000 numbers have been moved, a clear sign of customer demand for this service. Around 5,000 numbers are currently being moved each week."

The cost of number portability is falling as computer intelligence is incorporated into networks.

Yesterday's announcement does not include mobile phone operators.

Mr Cruickshank intends to hold the first ever public debate on the future of telecoms regulation in the UK on February 10.

UK NEWS DIGEST

Growth to slow, predicts Bank

The Bank of England, the UK central bank, is confident the growth of the economy will slow in the coming year, keeping a lid on prices without causing a recession. Eddie George, the Bank's governor, yesterday said the UK was in a favourable position, after six years of growth with falling unemployment and low inflation. But he said: "We have now got a more difficult position, because we have used up most of the spare capacity in the economy. We have been growing at an unsustainably rapid rate over the last 12 months, so the economy will need to slow down during the course of next year. And we believe it will slow down."

Since November, when the Bank raised interest rates to 7.25 per cent, output has shown signs of cooling. But the Bank is worried that strong demand for labour could lead to higher wages and prices. Mr George said it was difficult to predict how fast or by how much the economy would slow. "We made our forecast in November, in which we showed that the economy would slow down, but we weren't anticipating a recession," he said.

Evidence of a slowdown came from the House Builders Federation, the trade body for private house builders in England and Wales. Its survey of 300 builders showed house price inflation levelling off. *Richard Adams*

■ STOCK EXCHANGE

Rogue trading patterns targeted

London Stock Exchange officials will be watching carefully this morning to catch "rogue" trading patterns that could throw out fund managers' year-end portfolio valuations and bring further criticism of the electronic trading system. Stung by complaints about the volatility of share prices on the new system, the exchange has introduced a price vetting mechanism to ensure anomalous prices are discarded for valuing portfolios and calculating market indices. The closing price for valuations is usually the price of the last trade on the exchange's Sets electronic order book, and that will remain the norm today. But when the last price "has moved by an exceptional amount compared to three specific [but unpublished] price points in the previous hour, the official closing price will move to that of the previous automatically executed order."

Today's closing prices will be used for year-end portfolio valuations, and will directly affect many fund managers' fees. *George Graham*

Market report, Page 22

■ WELFARE

Minister considered avoiding refund

Harriet Harman, chief social security minister, considered changing the law to avoid paying £400m ($660m) in National Insurance refunds to actors and musicians, but changed her mind because of legal advice that the move would breach human rights. Ms Harman said in a leaked letter to Gordon Brown, the chancellor of the exchequer, that the artists were legally entitled to the refund because of a mistake, over six years, in their contributions. But in a sign of her determination to save money on the welfare bill, she said she had "explored the possibility of taking powers in the current social security bill to limit the refunds". "Legal advice is that this cannot be achieved without contravening the European Convention on Human Rights," she told Mr Brown. *George Parker*

OTE

HELLENIC TELECOMMUNICATIONS ORGANISATION S.A. (OTE)

Condensed Financial Statements
Prepared under International Accounting Standards
as of September 30, 1997
(in millions of Greek Drachmae)

BALANCE SHEET

Assets		Shareholders' Investment & Liabilities	
Fixed Assets		Shareholders' Investment	
Telecommunication Property, Plant and Equipment	1,525,326	Share capital	340,237
Less: Accumulated Depreciation	(652,919)	Paid-in surplus	239,279
		Reserves and retained earnings	370,318
	872,407		949,834
Investments	185,294	Subsidies, net of amortisation	113,571
Other non current assets	34,472		
Deferred income tax benefits	60,154	Long-term debt	131,678
	279,920		
Current Assets		Reserves for staff retirement and other employee benefits	167,289
Cash and cash equivalents	100,326		
Accounts receivable	205,119		
Materials and supplies	10,768	Other reserves and long-term liabilities	16,352
Other current assets	74,346		
		Current Liabilities	
	391,559	Bank loans and overdrafts	8,351
		Accounts payable	34,291
		Income taxes payable	39,072
		Dividends	0
		Other current liabilities	83,448
			165,162
	1,543,886		1,543,886

STATEMENTS OF OPERATIONS		MOVEMENT IN SHAREHOLDERS' INVESTMENT	
Operating revenues	589,572	Shareholders' Investment, January 1	617,596
Operating expenses	(359,100)		
		Net profit for the period	143,822
Operating profit	230,472		
		Capital increase	23,738
Financial, net	(1,025)		
Profit on sale of investment	11,000		
Other, net	(11,140)	Paid-in surplus, net of share issuance expenses	164,678
	(1,165)		
Profit before income taxes	229,307		
Income taxes	(85,485)		
Net profit for the period	143,822	Shareholders' investment, September 30	949,834

The major differences between Statutory and IAS financial statements relate to the accounting of staff retirement and other employee benefits, subsidies and differed income taxes.

No comparative figures are provided as no financial statements as of September 30, 1996 were prepared.

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Saleroom in 1997/**Antony Thorncroft**

The tables are turned at the top

When Melanie Clore atepped down from the rostrum at Sotheby'e in Bond Street on December 9 after raising £6.7m from selling 27 paintings by Giorgio Morandi, she was awarded a whita glove. This is the traditional tribute to the auctioneer who succeeds in finding buyers for every lot in a sale.

The auction of the Plaza collection of works by this currently fashionable 20th-century Italian artist was a tremendous success, with virtually every lot doubling its estimate. It proved to be one of the best moments in what was often a difficult year for Sotheby's.

It lost out to Christie's in the contest to sell off the two biggest single-owner collections to come on to the market, the Loeb collection of Impressionist and Modern art in May, which totalled $92.8m, and set a record for a Toulouse-Lautrec painting of $14.5m; and the Ganz sale in November, which brought in $206m for modern art, a record for any single owner sale, with Picasso'a "Le rêve" making $48.4m – the highest price paid at auction during the year.

It also suffered embarrassment wben its two star autumn auctions in New York, the Sharp collection of Frencb 20th-century art and the Keir group of medieval eoamels, both bombed, although Sotheby's almost managed to break even on the paintings by selling the most expensive lot, a Modigliani nude, after the sale for just over $9m.

It was little surprising that by year end, for the first time in over 40 years, Christie's should overhaul Sotheby's as the biggest auction house in the world, with sales in excess of £1.2bn, the highest total aince tbe record 1989-90 season.

Yet despite these setbacks, which must be bad for morale in such a gossipy and intensely competitive market, Sotheby's bas some cause for satisfaction. Its profits remain higher than Christie's, at $26m after tax, for the first six months of the year, as against $21m at Christie's. The London-based auction bouse is obviously securing turnover at tbe expense of margin, mainly through lavish marketing programmes, but also by securing major collections by offering very competitive deals.

This is particularly true of Ganz. There is some confusion about the nature of the guarantee that Christie's offered the executors to secure the pictures. A figure of $130m has been mooted, to be handed over wbatever happened at the auction on the night. In the event Ganz brought in much more, but it is quite possible that a high percentage of the additional income went to the Ganz heirs, or to e third party brought in to act as a guarantor for the guarantee, rather than to Christie's.

Sotheby'e can also gain some satisfaction in cleaning out its Augean stables, an apt term since its reputation has been tarnished for years by its willingness to sell antiquities, plus Old Masters, smuggled out of Italy and elsewbere, of doubtful provenance. After a TV exposure early in the year it spent a reputed £7m in examining its records, training its staff, and presenting to the world a new squeaky-clean image, even if means turning away £20m a year in dubious business.

Christie's remained discreetly quiet during the whole sorry episode, but will doubtless take care thet it is not caught sacrificing reputation for profit – or selling goods that Sotheby's has turned away. Its big story bappened in the final weeks of the year when the long expected take-over bid for the company materialised in the unlikely form of SBG Warburg. The idea is that Christie's carries on, but is owned by a group of rich men, plus SBG Warburg. This should provida it with almost unlimited financial reserves when it competes for the big consignments, bnt its new owners may want a better return for their money than Christie's has managed recently.

Well-beeled bsckers should enable Christie's to avoid the ultimate disaster: giving a $100m guarantee on a collection which, through chance or circumstance, drops like a stone, taking the saleroom down with it. But there is something depressing abont both Sotheby's and Christie's becoming the playthings of rich men, and dominating, througb their diversifications into owning dealers and arranging private treaty sales, the entire art market by the weight of their wallets.

Tha other remorseless development of the year was the rise of New York at the expense of London, especially in the key sector, post-1870 art. While the auctions in New York in November in this sector brought in over $450m, London's total the next month fell short of £80m, with only its dominance in offering major German and Austrian art contributing any excitement. The feeling is growing that the London suctions are beld tco soon after New York: they might in future be concentrated in the spring.

London's position as a dominating *entrepot*, accounting for two thirds of the European trade, is under constant threat from the EC at Brussels, which is proposing another increase in VAT on non-EC imports of works of art. It also plans to introduce to the UK *droite de suite*, which gives artists and their beirs e slice of any retail sale of their work. This all adds to the uncertainty of London, especially for dealers, and makes New York seem a safer place to consign major works of art for Japanese and Swiss collectors.

But London, and Sotheby'e, did manage to end the year strongly. London holds its own in the sale of Old Masters, and on December 3 and 4 Sotheby's brought in over £30m, a record for an auction in this sector, with a pair of Canaletto's making £5m, while artist records were set for Van Ruysdeel, Van Ostade, Pieter Brueghel the Younger and Devid Teniers, the Younger. On the same day in New York it sold American paintings for $43.6m, another record total, with "In the Garden, Corfu", by Sargent, selling for $8.3m.

Auction houses are much more adept at shouting their successes – Sotheby's record price of £386,500 paid for a painting by Lowry; Christie's £14.5m for a Klimt (the highest price paid in the UK all year), while quickly forgetting the failures – the rare manuscript mentioning Shakespeare which found no takers at Sotbeby'a, tbe piano decorated by Alma-Tadema which flopped at Christie's – but in the main 1997, proved a good year, the best since 1989.

Even at tbe middle and lower end of the market, at Phillips and Bonhams, at Christie's South Kensington and among tbe antiques fairs and the dealers, business was better. As the clouds gethered in Asia, whicb, before its recent financial woes had been earmarked as the great power bouse of art and antique buying for the next decade, and Ghristie's wondered wbether it would get paid for the £5.8m jade necklace it aold in Hong Kong in November, so London seemed to be a safe and secure haven.

Strong prices in 1997 will bring ont more good items for sale and 1998 is shaping up well. While tbe economy remains strong in the UK, and especially in tbe US, both Christie's and Sotheby's can view tbe immediate future with confidence.

At Christie's Ganz sale in November, 'Le rêve' by Picasso made $48.4m, the highest price paid during 1997

Opera/**David Murray**

Punk Mozart and pawky Goldilocks

Roald's granddaughter Sophie Dahl as Goldie

For the first night of Mozart's *Magic Flute*, Opera North lost two of their principals et the very last moment. The result was that Neill Archer brought his eloquent, experienced Tamino to Annabel Arden's "new" production, and Susannah Glanville was brought back from maternity leave to repeat her mature, rich-voiced Pamina from side-stage whilst the *souffrante* Margaret Richardson spoke and mimed the role.

In the circumstances, there is nothing to be confidently said about Arden's staging. I missed her first shot at it, in 1994; perhaps it made more of the punk-ish trappings that seem to cling on to no purpose – the Queen of Night'e shaven head and glitzy ballgown, ber Three Ladies' sbocks of bright blne hair, the drab metal work-site facings. For the most elevated scenes, elementary lighting-effects are wrought upon the back curtain. Plainly, no magic is intended.

The far-fetched story, on the other band, is efficiently told; most children should follow it easily, in Jeremy Sams' jaunty, familiar – in style, even over-familiar – English. It helps, I suppose, that Brad Cohen ehould conduct the score so insistently np-tempo, though tender nuances in the quicker music go by the board. Certainly it makes the evening shorter.

To be fair, he does lend a sensitive ear to the slower music. Particularly to the Three Boys' celestial interventions, delivered here by a bespectacled young trio wbo sing fervently and very well, as do tbe engaging Three Ladies (Majella Culagh, Jane Irwin and feisty Frances McCafferty). The six of them did mnch to carry the show. I found the Papageno direly unengaging, neither funny, sympathetic nor a creditable Mozartean.

Cara O'Sullivan's Queen flounces with some elegance, and Clive Bayley's priestly Sarastro preens floridly. Both of them have interesting moments, though tbe extremes of their roles, respectively bigh and low, tax them a bit. Jonathan Best's Speaker bas more autbority; tbe Monostatos is Paul Wade, nothing special, but Margaret Preece plays a good Papagena.

★

In Glasgow the next day, I attended the matinee-premiere of *Roald Dahl's Goldilocks and the Three Bears* (sic) – music by Kurt Schwertsik, text adapted by Donald Sturrock (of the Dabl Foundation) from Dahl's *Revolting Rhymes* – with, well, more than a thousand children. They screamed happily on cue, and beyond. Probably the evening performance, as part of a grownup concert, was quieter; but *RDGTB* is theatre-with-music, not opera, so it surmounted the barrage well enough.

This versified *Goldilocks* is one of Dahl's pawky eubversions. Far from being an innocent astray in the Bear family den, Goldie is e feckless slob and a most unwelcome, unsanitary visitor. In Sturrock's version poor Baby Bear and his family are in court, defending themselves against unjust criminal charges, illumined by flashbacks to what *really* bappened. The truth comes ont, and we all scream with vindictive glee.

The actors, nicely and languidly led by Roald'a granddaughter Sophie as Goldie, included many athletic children who were much more than supernumeraries. As directed by Karen Howard in Caroline Grebbell'e ingratiating designs, the show worked a treat. I wanted only more choreography. Schwertsik'e ecene-music consists largely of dances (of one louche sort or another), slyly adapted to the action. They cry out for theatrical dance, and the numbers that got none left tbe child-audience restive.

Not Schwertsik's fault – nor that of his fellow-composer H.K. Gruber, wbo conducted tbe Scottisb Cbamber Orchestra with the perfect sympathy to be expected of a long-standing friend. But Schwertsik's music usually wears two faces. One is straight-faced scene-music in apparently familiar styles, so smooth and apt as to be self-effacing. The other . . . Well: imagine an alternative universe in which cultivated Viennese music took a different turning during Scboenberg's beyday – fully cognizant of a sbared past and the same musical crises, but striking off in a sligbtly different, tonal direction which has grown further apart with the years. That is what Schwertsik's music (and Gruber's) is like, and in his gentle way it seems a mysteriously bracing tonic.

More performances of *The Magic Flute* at The Grand, Leeds until January 29; then at Sunderland, Manchester, Nottingham, Hull and Newcastle.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
Medieval illustrated histories: the Hausbuch and its Master. Drawings, prints and e panel painting by the the Master of the Amsterdam Cabinet, including the 64 sheets of the Hausbuch; to Jan 18

Van Gogh Museum
Tel: 31-20-570 5200
Auguste Préault: (1809-1879) Romanticism in Bronze. 75 sculptures and medallions by the nonconformist whose works, during his lifetime, were regularly rejected by the Salon jury; to Jan 11

■ BARCELONA

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
Rembrandt: The Human and the Natural Landscape. 91 etchings from the Rembrandt House Museum in Amsterdam. The exhibition will transfer to Madrid; to Jan 11

■ BERLIN

CONGERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Waber and Beethoven; Dec 31

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Le Nozze de Figaro: by Mozart. New production conducted by Christian Thielemann and staged by Götz Friedrich, with sets by Herbert Wernicke; Dec 31

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Kunsthalle Bremen: selection of important works including paintings, sculptures and copper engravings from the collection of the Kunsthalle Bremen; to Jan 11

■ CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Renoir's Portraits: Impressions of an Age. Around 65 paintings spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; to Jan 4

■ EDINBURGH

EXHIBITIONS
National Gallery of Scotland
Tel: 44-131-624 6200
Turner Watercolours: bequeathed in 1900 by the Victorian collector Henry Vaughan, these 38 paintings have been exhibited annually for more than 90 years. The terms of Vaughan's will stipulated that they must not be on permanent display, as he feared the damaging effects of too much light; to Jan 31

■ FORT WORTH

EXHIBITIONS
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Impressionist and Modern Masterpieces: The Rudolf Staechelin Family Foundation Collection of Basel. First American showing of 26 paintings including Gauguin's Nafea Faa Ipoipo (When Will You Marry?); to Jan 11

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
New Year Viennese Evenings: John Georgiadis conducts the London Symphony Orchestra in a programme including dances by the Strauss family; Dec 31; Jan 1, 2

DANCE
Royal Festival Hall
Tel: 44-171-928 8800
The Royal Ballet: programmes including Peter and the Wolf, Tales of Beatrix Potter and Les Patineurs; Dec 31; Jan 1, 2, 3

Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Objects of Desire: The Modern Still Life: Exploring 20th century developments of a 400-year-old genre, this show ranges from Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Dec 31; Jan 1, 2, 3

■ MILAN

DANCE
Teatro alla Scala
Tel: 39-2-88791
Giselle: with sets and costumes by Marie-Louise Ekman; Dec 31; Jan 3, 4

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Philippe Auguin in a staging by Graham Vick, with designs by Maria Bjornson; Jan 2

■ NEW YORK

CONGERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: New Year's Eve Gala. Programme of works by Tchaikovsky, Mussorgsky, Ravel and Bizet. Valery Gergiev conducts. Soloists include mezzo-soprano Olga Borodina, bass Samuel Ramey and pianist Alexander Toradze; Avery Fisher Hall; Dec 31

DANGE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 31; Jan 2, 3, 4

EXHIBITIONS
Brooklyn Museum of Art
Tel: 1-718-638 5000
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Rivieras in the 1880s, to Venice in 1908; to Jan 4

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
Egon Schiele: (1890-1918): The Leopold Collection, Vienna. Around 150 works by the Austrian Expressionist, dating from 1905 through 1918; to Jen 4

Pierpont Morgan Library
Tel: 1-212-685 0008
● Cultural Curios: Literary and Historical Witnesses – relics of the great and the wise, including such oddities as Lewis Carroll'e pocket watch and Voltaire'e briefcase; to Jan 4
● Medieval Bestseller: The Book of Hours. Selection of 100 of the library'e prayerbooks; to Jan 4

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 31; Jan 3

■ PARIS

EXHIBITIONS
Musée d'Art Moderne de la Ville de Paris
Tel: 33-1-5367 4000
Gilbert & George: major retrospective of the British artists, comprising some 120 works and spanning their career from their meeting at St. Martin's School of Art in 1968 to the "Fundamental Pictures" of last year; to Jan 4

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon; Jan 1

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 31

■ ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Fiamma: by Respighi. Thia first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Jan 2, 4

■ WASHINGTON

CONCERTS
Kennedy Center
Tel: 1-202-467 4600
New Year's Eve at the Kennedy Center: members of the National Symphony Orchestra conducted by Murry Sidlin in the Concert Hall; Dec 31

OPERA
Washington Opera
Tel: 1-202-295 2400
www.dc-opera.org
L' Elisir d' Amore: by Donizetti. Conducted by John Keenan in a staging by Stephen Lawless, with designs by Johan Engels; Kennedy Center Eisenhower Theater; Dec 31; Jan 4

Personal View · George Soros

Avoiding a breakdown

Asia's crisis demands a rethink of international regulation

The international financial system is suffering a systemic breakdown, but we are unwilling to acknowledge it. The abandonment of fixed exchange rate regimes in south-east Asia touched off an unravelling process that has exceeded everyone's worst fears, including my own. So far the large bail-out programmes implemented by the International Monetary Fund have not worked.

Lending by the international financial institutions can never replace lending by the private sector. The rescue packages are supposed to do their work by re-establishing private sector confidence. Unfortunately, the currencies of the debtor countries have continued to depreciate, aggravating their debt problems and further undermining confidence.

The countries concerned were over-indebted to start with. The decline in their currencies, coupled with the drastic rise in interest rates, has rendered the debt burden even more crushing.

We are dealing with a self-reinforcing process. Once it is reversed, it could become self-reinforcing in the opposite direction. The trouble is that the process is still moving away from equilibrium. It is impossible to tell how far it may go. What started out as a minor imbalance has become a much bigger one that threatens to engulf not only international credit but also international trade. We are on the verge of worldwide deflation.

The IMF has been criticised for applying the wrong remedy. The FT's columnist Martin Wolf has pointed out that the deflationary effect of the debt burden is reinforced by the deflationary effect of the IMF programmes.

Jeffrey Sachs, director of the Harvard Institute for International Development, has carried the criticism further by blaming the IMF for insisting on punitively high interest rates. But high interest rates are essential to prevent the currency from going into a free fall. They have served to protect the exchange rate in countries as diverse as Hong Kong and Russia. It is difficult to see how high interest rates could be avoided, given the constraints under which the IMF operates.

The problems run much deeper. But we are unwilling to face them. The prevailing system of international lending is fundamentally flawed yet the IMF regards it as its mission to preserve the system. This does not imply I am not a great believer in the IMF. Without it, and without other official creditors, the system would already have collapsed in 1982 and again in 1994-95. With luck, we may pull through once again. But it is high time to recognise the defects of the system and reconsider the mission of the fund.

The private sector is ill-suited to allocate international credit. It provides either too little or too much. It does not have the information with which to form a balanced judgment. Moreover, it is not concerned with maintaining macro-economic balance in the borrowing countries. Its goals are to maximise profit and minimise risk. This makes it move in a herd-like fashion in both directions.

The excess always begins with overexpansion, and the correction is always associated with pain. But with the intervention of the IMF and other official lenders, the pain is felt more by the borrowers than by the creditors. That is why overexpansion has recurred so soon after each crisis. Successive crises have, however, become more difficult to handle.

Soros: proposes a sister institution to the IMF

In 1982, banks lending to Latin America were involved for their own account. The crisis was contained by persuading them to act collectively and to extend fresh credit to allow the debtors to service their debt. The banks did get hurt in the process although not as much as the borrowers. Latin America lost a decade of growth. The banks learned to minimise their own exposure and to act as underwriters and wholesalers instead.

In the 1994-95 crisis, it was the holders of Mexican treasury bills that had to be bailed out, mainly by the US Treasury. By 1997 some of the banks had forgotten their painful experiences and became engaged on their own account, particularly with South Korean companies.

The Korean crisis, as distinct from that in other south-east Asian countries, bears some similarities to Brazil in 1982 – with one major difference: the loans are not to Korea as a sovereign country but to individual companies. This has made it more difficult to get the banks to act collectively.

Since we are in the middle of a crisis it is impossible to predict how it will play itself out. There are other shoes that may yet drop, notably China. On the other hand, Japan, which looks so bad at present, has the wherewithal to solve its problems.

It is not too soon to start thinking how the system could be improved. Fresh ideas on the subject could even have a beneficial effect on how the current crisis is handled. But that would require questioning some of the most cherished tenets of the business community. To argue that financial markets in general, and international lending in particular, need to be regulated is likely to outrage the financial community. Yet the evidence for just that is overwhelming.

Given the uneven distribution of savings and investment opportunities, there is a crying need for international capital movements. But the private sector is notoriously inefficient in the international allocation of credit. It follows that international capital movements need to be supervised and the allocation of credit regulated by an international authority.

This goes against the grain of prevailing wisdom. How can bureaucrats know better than those who take risks for their own account? The answer is that the technocrats running the proposed international authority would be charged with maintaining macroeconomic balance, while the technocrats in charge of banks are guided by profit considerations. Banks earn fees as well as a return on capital and in the end they can count on the support of the official lenders, because IMF and central bank intervention – like that in Korea – tends to favour creditors. It would be better for the official lenders to control the risks they are taking more directly.

I propose setting up an International Credit Insurance Corporation as a sister institution to the IMF. This new authority would guarantee international loans for a modest fee. The borrowing countries would be obliged to provide data on all borrowings, public or private, insured or not. This would enable the authority to set a ceiling on the amounts it is willing to insure. Up to those amounts the countries concerned would be able to access international capital markets at prime rates. Beyond these, the creditors would have to beware.

The authority would base its judgment not only on the amount of credit outstanding, but also on the macro-economic conditions in the countries concerned. This would render any excessive credit expansion unlikely. The capital of the proposed institution would consist of Special Drawing Rights. This would render its guarantees watertight. The SDRs would not be inflationary because they would be used only in case of default; at that time they would replace money that had been lost.

There are many issues to be resolved. The most important is the link between the borrowing countries and the borrowers within those countries. Special care must be taken not to give governments discretionary power over the allocation of credit because that could foster corrupt dictatorships. But once the need for such an institution is recognised, the details could be worked out.

The institution can be set up only at a time when international lending is in a state of collapse. We are now entering such a period. We can probably navigate through it without setting up a new international authority of the sort I am proposing. But we would be missing a great opportunity.

Moreover, the extent of the crisis could be mitigated by the prospect of an early revival of international lending on a sounder footing. If the world is indeed entering a deflationary period, an International Credit Insurance Corporation could play an important role in containing its negative effects.

The author is chairman of Soros Fund Management and of the Open Society Institute

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Edward Mortimer

Is democracy enough?

More and more countries say they are 'democracies', but without the underpinnings of constitutional liberalism this may not count for much

It was the year when the east Asian economies collapsed, and Isaiah Berlin died.

Can there possibly be a connection? Well, not a causal one perhaps. But events in east Asia may call for yet another rethink of one of Sir Isaiah's great themes, the relationship between positive and negative freedom, or between democracy and liberalism.

Positive freedom means being entitled to take part in government, that is, democracy. Negative freedom means a guaranteed sphere of personal independence – what we think of as classical liberalism.

In recent times the two ideas have often been conflated. The fall of communism was assumed to mean the triumph of "liberal democracy". But the terms are far from inseparable as the current issue of the US journal Foreign Affairs reminds us, entitling its lead article "The rise of illiberal democracy".

The author, Fareed Zakaria, argues that democracy is flourishing worldwide in the sense that more governments than ever before are chosen by the people whom they govern. But, he says, this expansion of democracy has not been accompanied by a corresponding spread of "constitutional liberalism". By this he means the use of law to "protect an individual's autonomy and dignity against coercion, whatever the source – state, church or society".

In many parts of the world, elected governments enjoying genuinely popular support show little respect for the law or for individual freedom. Mr Zakaria cites Russia, Argentina, Iran and Ethiopia as countries where elected governments have restricted freedom and violated human rights. And, he claims, things are getting worse. "To date, few illiberal democracies have matured into liberal democracies; if anything, they are moving toward heightened illiberalism."

This, he suggests, is because things have been done in the wrong order. Western liberal democracies were liberal first, democratic only later. And this is where east Asia comes in. Its recent history, according to Mr Zakaria, "follows the western itinerary". "Most of the regimes in east Asia remain only semi-democratic, with patriarchs or one-party systems that make their elections ratifications of power rather than genuine contests. But these regimes have accorded their citizens a widening sphere of economic, civil, religious, and limited political rights."

In other words, liberalism today and democracy tomorrow – if you are very good. Such is the message of the nanny states of east Asia to their peoples.

Mr Zakaria does not allude to east Asia's economic travails, which were perhaps only beginning when he wrote his article. Have they invalidated his thesis? Some westerners think so, to judge by recent contributions on this page.

On December 9 Dominique Moïsi tried to claim Asia's troubles as a backhanded vindication of the European social model, arguing that "Asia is paying the price, in economic terms, of non-democratic and too-often corrupt practices". And yesterday Gerald Segal attributed Asia's crisis to the lack of "robust, pluralist political systems with entrenched democratic institutions". His prescription is – surprise, surprise – "more liberal democracy", though whether he means more democracy or a more liberal version of democracy is not clear.

These arguments smack uncomfortably of *Schadenfreude*. We are all fed up with having the east Asian tigers held up as an example to us. So it is hard to stifle a schoolboy snigger when they slip up. But sniggers are out of place. The Asian economies will almost certainly recover, since the underlying reasons for their dynamism are still valid. If they do not, it is bad news for the world as a whole, including the west. In any case, the fact that they have problems, too, does not make our own difficulties any easier.

Mr Segal may well be right in prescribing more democracy. But that would not in itself invalidate Mr Zakaria's thesis. It could simply mean that some east Asian countries have now got to the point on the liberal path where democracy becomes both possible and necessary: possible, because liberal institutions are now too well entrenched for democracy to do them much damage; necessary, because in the end it is hard to refuse people a say in government once you have deprived yourself of the option of locking them up or interfering with their freedom of speech.

But how many east Asian governments really have deprived themselves of that option? The real weakness in Mr Zakaria's argument is that his examples of liberal authoritarianism are mostly not all that liberal. (One or two of them, such as Tunisia, are not liberal at all.) And for that matter, his illiberal democracies are not all irredeemably illiberal either. Are individuals in Argentina less free than in Indonesia? Surely not. Even Iran, under Mohammed Khatami, now shows signs of becoming liberal as well as democratic.

The fact is, democracies cannot remain illiberal for very long without ceasing to be democratic. Unless people's negative freedoms are secured, elections will not be free and therefore people will not be free in the positive sense either. You soon get back to the totalitarian formula of governments that claim to be popular because they win 99 per cent of the votes.

Democracy and liberalism are not the same thing. But it is difficult to have one without the other for very long.

Edward.Mortimer@FT.com

Anglo-Saxon business tactics are catching on only slowly, says **David Owen**

False dawn in corporate France

Was it all too good to be true? With the failure this week of another French hostile takeover bid, it is tempting to conclude that reports of the demise of cosy French-style capitalism have been greatly exaggerated.

The peace deal between Casino and Promodès, the rival retailers, means that none of the three hostile offers launched this autumn for big companies – for a combined total of FFr116bn ($19bn) – has ended in a clear victory for the aggressor.

Promodès's planned takeover of both Casino and Rallye, the holding company that controls more than 40 per cent of Casino's voting rights, was not the only bid thwarted. François Pinault, the French financier, tried and failed to buy Worms & Compagnie, an industrial and financial conglomerate. Finally, Italy's Assicurazioni Generali this month abandoned its FFr55bn hostile bid for AGF, its fellow insurer, in return for control of AMB of Germany and other insurance groups.

This nought for three hitting streak will persuade many sceptics that France is as far as ever from embracing Anglo-Saxon style capitalism. "It is a disappointment, there is no question," says one analyst at a US bank. "We thought this was the start of a revolution in corporate France."

Yet this autumn's extraordinary flurry of corporate activity is a significant step forward for France – even if none of the bidders captured the prey it was ostensibly hunting.

Jean-Hugues de Lamaze, French strategist with Credit Suisse First Boston, says one upshot has been to establish that hostile bids originated by foreign groups are no longer taboo. "That is probably positive," he says. "It has become very difficult for the French government to oppose a bid from a European group."

Mr de Lamaze argues that the hostile bids, which were for the most part "pretty credible", will accelerate the rate of corporate restructuring in France. The growing threat of takeover, he says, puts companies under pressure to increase their share price and market capitalisation.

Each of the French hostile takeover bids this autumn has forced some sort of change at the target company, although some have argued that this week's "international co-operation agreement" between Casino and Promodès may be little more than a figleaf for the thwarted predator.

Mr Pinault's autumn assault on Worms triggered a FFr32bn friendly takeover bid by the group's leading investors.

Generali's attack on AGF prompted a FFr60bn friendly takeover offer from Allianz of Germany. That eventually led to a deal whereby the Italian group agreed to abandon its bid in return for control of AMB (part owned by AGF and Allianz) and ownership of two units of Athéna, another French insurer acquired by AGF.

"You cannot talk of a failure for Generali," says another Paris analyst. "The two bidders are sharing out the beast."

Another analyst argues that "every marginal thing chips away at a very solid and long-lasting block to shareholder value ... The autumn was a false alarm, but we stay on watch."

It seems unlikely that the restructuring process will simply grind to a halt. The approach of European monetary union, and the additional pressures it is expected to put on companies to improve competitiveness will almost certainly lead to more bids and mergers in all the main western European economies, including France.

> France's corporate culture is changing, probably for good. The clubby *noyau dur* system of interlocking shareholdings is crumbling

Some elements of France's singular corporate culture are already changing, probably for good. First, the clubby *noyau dur* system of interlocking shareholdings is crumbling faster than many expected, rendering more companies potentially vulnerable to takeover.

Second, the past three or four years has seen the arrival at several blue-chip French companies of a new generation of managers. These arrivals seem less suspicious of comparatively harsh Anglo Saxon-style business practices than some of their predecessors.

The industrial groups Elf Aquitaine, Alcatel Alsthom, Peugeot Citroën, Générale des Eaux, Pechiney and Total are all run by chairmen installed relatively recently. Many analysts, for example, expect the management of Bouygues, the construction and telecommunications company, to start pursuing shareholder value more aggressively. This follows the announcement this month that Groupe Vincent Bolloré, the holding company of the eponymous French financier, has acquired nearly 10 per cent of its shares.

Third, the high – and rising – level of foreign ownership of listed French companies, particularly by US and UK institutions, is also likely to keep pressure on incumbent managers to emphasise the interests of minority shareholders.

Foreign ownership of the share capital of Elf Aquitaine, France's largest industrial company, has reached about 50 per cent. A recent Bank of France survey, covering about two-thirds of France's stockmarket capitalisation, put the proportion of these companies' stocks in the hands of non-residents at 43 per cent. (However, Monique Chocron, a Bank of France statistician, thinks the overall figure is rather lower.)

The next test of the new business environment may come in the banking sector, where a bout of consolidation has long been expected, notwithstanding the difficulties that could arise as a result of the sector's political sensitivity. Speculators have this year helped buoy up French bank stocks in apparent anticipation of juicy bid premiums.

But the feeling is growing that, while restructuring of the banking sector still seems probable, those expecting dramatic hostile takeovers may end up somewhat disappointed. Says one analyst: "I think the most likely thing we will see is mergers of equals."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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A democratic system that any citizen would readily jump at

From Mr Brian N. Chandler-Lorenz.

Sir, While Oliver Morton's suggestion ("Push-button democracy", December 29) would certainly be an improvement on the politocracy we have to put up with, it would not solve all the present system's problems and it would be open to misuse – one can envisage a regular market growing up for the sale and purchase of his electronic "franchises".

Furthermore, there is little evidence that "people like intermediators" in preference to doing everything themselves – a growing volume of complaints against politicians and a declining support for them, worldwide, does not support such a view. Preferable, in my opinion, would be a legislature filled with randomly selected citizenry (chosen in a lottery) who would be required to serve, as a duty rather than a privilege, for a tolerable period – say three months – with their normal jobs held open and receiving just their normal pay.

This, plus the cost of their temporary replacement, would be paid for by the state. They could also receive reimbursement for legitimate expenses in addition, but only on presentation of a proper receipt and first-class flights would be disallowed. And as a further reward for performing their duty they would be freed from further selection for life.

Once "in power", they could introduce, debate and vote on bills as they felt they should. If the overwhelming majority of the people in the country felt that something should be done, then successive incumbents in the legislature (jurist-MPs or "jumps"?) would support it and it would become enacted. If there were no such consensus, the matter would probably go back and forth and never get passed, which would probably be the best thing.

The first country to adopt this Real Democracy would also gain a competitive advantage – the others would not be so able to predict in advance how it would respond to their politicians' actions.

Although the civil service would be on hand to give advice, as now, "jumps" would not need to heed their advice if they disagreed with it. To prevent undue influence from lobbyists and others the interval between one's "winning" the lottery and having to start duty would be kept short, and if it still proved to be a problem then "jumps" could be kept in seclusion for their three months.

All kinds of people would have an equal chance to participate – rich and poor, clever and simple, honest and rogue, brave and cautious. The only people disadvantaged by this would be the career politicians, but they have already had long enough to get rich and famous at everyone else's expense.

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Interest rate view ignores Canada's better fortunes

From Mr Andrew Spence.

Your Lex column on Canada (December 18) centred on the potential for the Bank of Canada to mount an interest rate defence of the exchange rate. Citing the excessive 250 basis-point defence of the Canadian dollar in 1994-95, you conclude that neither bonds nor stocks look attractive.

This assessment ignores the rapid improvement in Canada's fiscal and political fortunes since 1995, which is acting as a powerful buttress to the current round of speculative pressure. While this should counter the need for an excessive interest-rate defence of the Canadian dollar, it would be unfortunate indeed if a full exchange rate defence were to be mounted in the absence of credit risk and political uncertainty.

Exchange rates perform many important functions, one of which is to cushion demand from major external shocks, in this case a significant commodity price decline. Tolerating some currency depreciation under the current circumstances when there is a negative output gap of about 1 per cent of gross domestic product, further closure of which maybe delayed by the hit to the resource sector, will not undermine the Bank of Canada's credibility. Moreover, it will certainly not threaten the 3 per cent ceiling of the 1 per cent to 3 per cent inflation target range.

The need for the real exchange rate to find a new equilibrium in light of the rapid change in external circumstances cannot be bearish for Canadian dollar assets once the currency adjustment is complete. Tightening interest rates excessively to thwart speculative pressures risks prematurely braking the current capacity absorbing economic upswing, which would in all likelihood drive further disinflation. In addition to continued real exchange rate depreciation, the Bank of Canada would also achieve *de facto* price stability. While this would offer a clear opportunity to go long on Canadian bonds, the Japanese experience of effective price stability in the past seven years suggests that zero inflation is an objective simply not worth chasing, either wittingly or unwittingly.

Andrew Spence,
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Shopping's front line

From Mr K. Kalyana Raman.

Alison Smith's report on observational research ("Shoppers under the microscope", December 5) prompts me to suggest another avenue for better understanding customers' behaviour: through salespersons. In addition to their often overlooked role as products/services sellers (and, occasionally, watchdogs for mysteriously behaving shoppers) salespersons should also be able to "know and understand" their customers – when assisting them to look for a particular perfume to selecting from an array of hi-fis to resolving returned business suits.

They come into direct contact with customers' needs and wants. Not only could inexpensive and valid data collected in-store assist companies in learning more about their customers, the salespersons – main links between companies and customers – could help to build strong relationships with customers.

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Worthy of review and well worth watching

From Mr Alan Pavelin.

Sir, Nowadays it is invariably the case that film reviews in the press give most prominence not to the week's *best* film but to the one which has generated the most advance publicity.

Congratulations, therefore, to Nigel Andrews (Cinema, December 18) for leading his column with Abbas Kiarostami's *Close Up*, belatedly released in the UK after eight years. It is to be hoped that those of us who have been entranced by this director's other recent releases will be joined by many others.

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Wednesday December 31 1997

Greenspan's challenge

When the gods place a man on a pedestal, they usually do so in the comfortable expectation that time and chance will sbortly send him crashing to earth. So it should be with more than a little nervousness that Alan Greenspan, the chairman of the US Federal Reserve, looks ont tonight on his and the world's prospects for 1998.

His apparently successful efforts in the last week to persuade reluctant commercial banks to support South Korea capped a year of truly prodigious success that has covered everything from timely warnings about stockmarket overheating to important progress towards financial sector reform in the US. He even found the time to get married.

Most important, it has been his and the Fed's policy action, or rather inaction, this year, that has once again paved the way for an impressivs US growth performance, which leaves the country indisputably on top of the world.

Thrse years ago, the Fed chairman began an unexpectedly fierce monetary squeeze that, though widely criticised at the time, had the effect of heading off US inflation before most people had seen it coming. In the process he extended the life of the 1990s expansion, securing several more years of growth.

In 1997, Mr Greenspan seemed to face similar challenges to the ones he faced then. Where more cautious souls might have followed the pattern of 1994-5 and raised interest rates at clear signs of above-capacity growth, Mr Greenspan chose just the right moment to hold off.

Falling inflation

Except for a small, barely perceptible tightening – a quarter-point increase in interest rates in March – he has allowed the fire of US economic growth to burn on. Gross domestic product has expanded at an annual rate of over 3.5 per cent this year, and unemployment is down to 4.6 per cent, as 3m jobs have been created. Yet inflation continues to fall, triumphantly vindicating the Fed's inaction.

Small wonder Mr Greenspan is the toast of the US this New Year's Eve. But will 1998 be the year when his halo slips?

The next 12 months will present perhaps his toughest challenge yet. With greater uncertainty than ever about the outlook for growth, he faces an unusually sharp divergence of economic and financial risks – between the competing perils of inflation and recession, a stockmarket crash and a dangerously over-inflated bubble.

Stockmarket correction

On the face of it, it seems hard to imagine how Mr Greenspan can hope to get things right. If there is a serious stockmarket correction in the next year, be will donbtless be blamed for having brought it about by his constant public worrying over higb sbare prices. Yet if there is no crash, he will be accused of having badly misread the financial and economic condition of corporate America.

Most important, if the simmering Asian crisis manages to produce either a global financial collapse or a US slump, as some forecast, there will be no more eulogies for Mr Greenspan, only brickbats. The punishment will be all the more severe because he has consistently played down concerns that the problems of Asia will seriously affect the US economy. Yet if, instead, the economy sails on, undisturbed by the Asian trauma, as others suggest, there is a risk the Fed will turn out to have fallen dangeronsly behind the curve of inflationary growth over the last few months. It will then have to raise rates sharply to catch up.

If anyone else were on that pedestal, the world might expect to see a spectacular fall. But with the current Fed chairman, it would at least be rash to bet on it. Whether it be through just the right degree of interest-rate adjustment, or merely the apposite deployment of the carefully phrased snb-clause, Mr Greenspan has always been more than equal to his task. He could well pull this trick off once again, in the year to come, just as he did in 1997.

Relaunch of the rouble

Tomorrow, three zeros will disappear from the Russian rouble. Just weeks ago, with the rouble under severe pressure, there were fears that this redenomination exercise could end in disaster. Thanks to some last-minnte good luck, Russia has managed to scrape through its crisis. But unless action is taken, do not be surprised if trouble rears its bead again in the coming year.

Redenominations of the rouble have a painful history. Over many decades, unfair conversion schemes have robbed Russian people of their savings.

But this time should bave been different. Boris Yeltsin, the president, announced the redenomination in August, at a time of great optimism in Russia. It was to be a symbol of the victory in the fight with inflation, which had fallen from a peak of over 1,000 per cent in 1992 to under 15 per cent.

Over the last few months, tbough, optimism bas turned into gloom. It became increasingly clear that the Russian authorities were having severe problems in collecting tsxes. The result was a high budget deficit, and s build-up of wage arrears. This led the International Monetary Fund in October to suspend a tranche of its $10bn (£6bn) loan to Russia.

And at the same time, investors were fleelng from the emerging markets in the wake of the Asian crisis. Russia was particularly badly hit by the loss in investor confidence.

Emergency funding

The result was near-panic. Bond yields soared as investors pulled out. The Russian government toured foreign governments and banks, as well as the IMF, trying to get emergency funding. A long-overdue rise in interest rates helped, but did not reverse the outward flood of money. The prospects for a smooth relaunch of the currency on Jannary 1 looked bleak.

But Russia has managed to pull off a few last-minute successes that have won back some confidence.

First, at the beginning of December, the government embarked on an emergency revenue-raising programme, aimed at fulfilling Mr Yeltsin's promise to pay off public-sector wage arrears by January 1.

Successful gamble

Then, on December 5, Mr Yeltsin paid a rare visit to the parliament, in an attempt to get the 1998 budget approved. The gamble was successful, and the budget was voted through, to the relief of the jittery financial markets.

And on December 19, the World Bank approved $1.6bn of delayed loans, soon after an IMF team said they were happy with Russia's renewed attempts to collect more taxes. The decision was surely msde on political rather than economic grounds; still, it helped confidence.

Russia has probably done enough to ensure that the redenomination goes ahead without risk of disaster. But it bas still failed to address its underlying problems.

The fiscal position remains precarious. The Organisation for Economic Co-operation and Development recently estimated that the general government deficit next year will reach 5 per cent of gross domestic product. This will be expensive to fund, and will contribute to a rapidly mounting stock of government debt.

And there is growing political uncertainty. Russia's two key economic reformers, Anatoli Chubais and Boris Nemtsov, are losing influence, as Mr Yelstin aligns himself more closely with gradualists such as Victor Chernomyrdin, the prime minister. This casts doubt over the future direction of reform.

For now, Russia has been lucky. But the conditions are all in place for a repeat of the crisis. Mr Yeltsin must do what he can to minimise the distraction of politicsl in-fighting, and make renewed efforts to improve his country's dismal record of tax collection. Until this is done, the rouble, zeros or no zeros, cannot be safe.

97 *It was the year of the US stock markets*

Where the money is

Americans have come to believe share prices can only go up. But, asks **Richard Waters**, what will happen when the music stops?

A defining moment of a remarkable year in the US financial markets came last month when the FBI swooped on a Mafia plot to ramp share prices. Never before had organised crime been caught trying to plunder the stock market.

But these are not normal times. As one agent said, paraphrasing Willie Sutton's famous explanation for why he robbed banks, these days the stock market is "where the money is".

America's fixation with share prices stretches well beyond the ranks of organised crime. Some of the heat may have gone out of the market since it peaked last August, but the latest phase of Wall Street's greatest bull market has been one of the wonders of the age. The modern "cult of the equity" has seeped into the national psyche as never before, assuming a central place in the country's public and private life.

Anecdotal evidence of this was omnipresent during 1997. Congress, looking for ways to shore up the finances of a shaky social security system, wondered why it had not thonght before of investing in the stock market – a classic case of what economists call "decision regret".

And when Lorna Wendt arrived in court to press the year's most celebrated divorce settlement, it was her busband Gary's share options that were ths main target of ber lawyers' attack. (In the end, she got the credit card from Macy's, but he kept the options.)

These are more than simply disconnected events, coming as they did in a year when the stock market broke some impressive records. From being a tool for channeling private investment into worthwhile economic activity, the stock market has been transformed into the greatest wealth-creator America has ever seen. According to one estimate, the jump in share prices in the past three years alone has created $3,000bn (£1,800bn) of new wealth for America's individual investors – at least, that is, on paper.

But what happens wben the music stops? No one has had to face that question in the 15 years that this hull market has been running. In that period, the US has turned into a nation of shareowners, with a belief in tbe ever-rising value of corporate equities a central article of the new faith. How these people react in a bear market, when one eventually arrives, will have a profound effect on both the financial system and on the nation's economy as a whole.

There is good reason to believe that posterity will lcok on 1997 as a defining point in the long bull run. The Standard & Poor's 500 index had already climbed 34 per cent in 1995 and another 23 per cent in 1996. It is set to end 1997 with a gain of a further 26 per cent. This will be the first time that there have been three successive years with gains above 20 per cent.

It was fitting that during the spring, in an unheralded moment, the value of US stocks finally exceeded the country's annual economic output of about $8,000bn. That did not even happen at the peak of the stockmarket boom before the 1929 crash.

The effect of all of this on personal and corporate behaviour has been profound. Take the investments of the average middle-class family. More than 50m households are believed to own shares, either directly or in mutual funds – about twice as many as in the early 1980s. These people have been both a big force behind the stock market's remarkabls rise, and among its biggest beneficiaries.

At one extreme, this has created a tribe of active traders whose wbeeling and dealing has turned private-client stockbrokers – traditionally the Cinderellas of Wall Street – into the market's new stars. (The volume of shares traded on the New York Stock Exchange has soared, reaching 530m a day this year. That is nearly a third more than even the buoyant figure for 1996.)

Barton Biggs, a bearish analyst at Morgan Stanley Dean Witter, made his plumber famous by revealing the man's claims to make more money from trading stocks than from his more familiar profession.

Eric Zarouba, an elementary school teacher from Connecticut, is more typical when he says be invests some of his spare cash in shares because the interest rate paid on bank deposits is so low. Like millions of Americans, Mr Zaronba likes to keep an eye out for the latest investment tips, even if his dabbling hardly puts him in the same league as Warren Buffett.

The new stockmarket wealth has underpinned a consumsr boom of impressive proportions. Apparently confident that their new riches will last, Americans have borrowed as never before to maintain their spending.

With Asia facing a chilling recession, tbat bas made Americans the world's "consumers of last resort", in a phrase coined by David Hale, chief economist at Zurich Kemper Investments. Americans are the people, be says, whose spending will kesp the steel mills and car plants of South Korea ticking over in the difficult months ahead.

Companies have also signed up for the stockmarket boom in a big way. The mantra of the age in US boardrooms is raising "sbareholder value". Roughly translated this equates to focusing all of a company's efforts on lifting its share price.

The renaissance in corporate America in the 1990s has been a real one, says Martin Barnes, an economist at Bank Credit Analyst. "But what is good for the share price may not be good for the corporate sector in the long run," he says.

Such views were common currency a decade ago when the supposed short-termism of US capitalism was seen as a threat to the nation's international competitiveness. They have been drowned out, though, in the wave of triumpbalism that has swept over corporate America since the mid-1990s, particularly as the wbeels have come off Asia's economic miracle.

But will US companies still clamour to be judged by the strength of their sbare price when the market starts to head sideways, or down? Not surprisingly, chief executives have become profligate with the newfound stockmarket wealth at their disposal. They have issued record amounts of new sbares to mount takeovers or have helped themselves to some of it through sbare option schemes.

Thanks to options, which have jumped in popularity during the bull market, the average chief executive has enjoyed pay increases of more than 20 per cent a year in ths past three years. Where million-dollar remuneration packages were once a source of envy, the modern chief executive reaps tens – or even hundreds – of millions.

Big rewards have created even bigger expectations, notably the more than $200m of shares that Michael Eisner, chairman of Disney, would receive if his company's shares were to rise by just 5 per cent a year over the next decade.

When the current wave of options was granted, says Ken West, an adviser on boardroom practice to Tiaa-Cref, a big US pension fund, "there was no idea tbe returns would be as big as they have been". There are benefits to tying executive pay to the share price, he says, but asks: "How much is too much?"

The stock market has come to resemble what Mr Barnes calls "a perpetual-motion machine" – with outsized rewards putting the doubters in the shade and reinforcing the belief that shares will keep going up. Wall Street dallied briefly with a sharp fall in late October, only to find an army of small investors waiting to take up the slack, along with companies ready to buy up their own shares. It is more than seven years since investors faced a really serious test of their intentions.

It is worth dwelling on bow a prolonged slump might change the behaviour of the individuals and companies whose beliefs and actions have supported the great bull market.

The first impact would be on what Henry Kaufman, a bearish Wall Street economist, calls "the soft underbelly of the financial system", the bedge funds and other big speculative traders who bet other people's money on big swings in the financial markets. As with the bond market collapse of 1994, the unravelling of unsound trading strategies, many of them based on complex derivative instruments, could cause an important blip.

The takeover craze would also be one of the first casualties of any sharp drop in share prices. Acquisitions bave jumped to more than $800bn this year, twice their peak of the mid-1980s, thanks to the plentiful supply of equity. But, as the early 1990s proved, this is a highly cyclical activity that can dry up quickly.

Eventually, the effects would begin to filter deeper. Share option schemes, for instance, would no longer be at the top of every senior executive's wish-list. "If yon have a prolonged bear market, people will look at other forms of compensation," says Greg Lau, head of executive compensation at General Motors.

Individual investors would also come to see the world differently – though, to judge by their enthusiasm for buying on market dips and their slowness to sell in other downturns, perhaps not for some time. Eventually, however, "you would see a new conservatism among older and middle-aged peopls" in particular, predicts Mr Kaufman.

By that time, a new Ice age would have started to descend on the stock market. But as Wall Street pops the champagne corks to say goodbye to tha old year tonigbt, sucb pessimistic thoughts will be far away.

· OBSERVER ·

Waltz set to last

■ Hanna Gronkiewicz Waltz, whose six-year term as head of the National Bank of Poland runs out in March, is about to find running the central bank a more collegial affair.

Tomorrow sees the implementation of a new banking law giving the bank's board of directors more say in its affairs and establishing a banking supervisory committee, which the central bank head will chair: previously, supervision was handled by an inspector who answered to Waltz.

Also from tomorrow, a new nine-strong monetary policy council – again, chaired by the head of the central bank – will be responsible for monetary policy. Until now, Waltz has produced monetary plans, which have been subject to approval by parliament.

But the changes don't seem to be driving Waltz away. She says she is "open" to the possibility of staying for another six years – after all, she has three months to try out the new system, and can always resign if the switch from single-handed management of bank and monetary policy proves unpalatable.

Rival contenders aren't exactly queueing up to replace her, and there is no sign that arms are being twisted behind the scenes. So the betting must be that Waltz will see in the millennium.

Gold fingered

■ There's a surge in demand for gold in India, the world's biggest consumer, and a bit of a puzzle about where it's all coming from. The World Gold council puts Indian imports at 535 tonnes in the first nine months of 1997 – 44 per cent up on the wbole of last year – but official cargo returns show that only 385.6 tonnes were shipped. Air-cargo managers should be celebrating, but they say business is flat.

The WGC says there's some smuggling and recycling, but apparently the clue to the missing 170 tonnes – more than $1.5bn worth – lies in the passenger lounge, not the cargo hold. Indians living abroad are allowed to carry 10kg of gold into the country every six months. So some of those briefcases on the Bombay flight aren't just hiding the sales figures, marketing plan and mobile phone.

Asia explained

■ If Vietnam's new communist party boss Le Kha Phieu is seeking guidance on steering his country through the troubled times in Asia, he might lcok to his 80-year old predecessor Do Muoi, who stepped down this week and joined the ranks of ageing "advisers" to the party.

In his farewell speech, he offered a unique perspective on Vietnam's most pressing problems. Pressure from the Asian financial crisis, perhaps? Not quite. Muoi cited the impact of a recent typhoon, then moved on to more serious matters. "Imported plastics have overwhelmed sales of bamboo baskets and bamboo kitchenware," said ths ageing revolntionary. Maybe that's really what happened in Korea.

Wendt away

■ Lorna Wendt isn't just sitting back after her high-profile divorce from GE Capital chief executive Gary. She could certainly afford to do so – she won half of his $45m of declared assets after rejecting a first offer of $8m. But she's now started a get-even club, the Foundation for Equality in Marriage, and is about to set out on the campaign trail.

Wendt, daughter of s Lutheran minister, gave up her teaching career early in the couple's 32-year marriage to become a mother and corporate wife. The foundation is designed to "challenge many commonly held beliefs that favour one gender over another in ths family courts system". She's campaigning for courts to regard marriage as a 50-50 partnership between equals and to give equal weight to the "both the monetary and non-monetary products in a marriage".

The foundation is offering advice for spurned wives on how to get their half of the assets. Maybe American bosses should make a New Year's resolution to pay more attention to their marriages. Ths price of divorce may be about to go up.

Bullet point

■ Those armoured limousines which carry the world's leaders from airports to banqueting auites will be a bit less exclusive in future.

O'Gara-Hess and Eisenhardt Armoring, which started customising limos for American presidents with a contract for Franklin Roosevelt in the 1930s, has done a 15-year sales and design deal with Rolls-Royce, that will put bullet-proof cars in showrooms for the first time.

It's just the thing for the nervous executive, says marketing manager David Helmbrock. "Many have high security in their home or office, but feel vulnerable as soon as they pull out of the driveway. They're completely naked." Observer hopes not.

The Financial Times

100 years ago

Russia And Korea
Tacoma, Washington State, 28th Dec. The text of the recent contract securing Russian preponderance in Korea has been received here by steamer. This document, which is dated 5th Oct., declares that, in accordance with the commands of the Emperor of Korea, Russia has sent M. Alexieff to be Adviser to the Finance Department and Superintendent of the Customs. The Adviser, it is added, shall provide for the taxation, revenue and expenditure of the country and submit the Budget, provided that the Ministers concerned shall be consulted on all matters.

50 years ago

Canada's Dollar Shortage
Ottawa, 30th Dec. If the U.S. Congress accepts President Truman's plan to aid Europe, it is believed here that Canada may be in a position much earlier than had been anticipated only a short time ago gradually to lift her import restrictions. Reports indicate it may be "only a matter of months" before s start is made in easing these trade restrictions. Informed quarters here believe Canada will be able to increase her production in 1948 in order to bring more U.S dollars as a result of the plan to aid European recovery.

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Titanic box office hit seals blockbuster year

By Christopher Parkes in Los Angeles

The US film industry is set to end the year with at least 15 blockbusters on its score card.

As 1997 drew to a close, a clutch of newcomers were moving quickly towards $100m in box office revenues, the figure required for a film to be classed e blockbuster.

Titanic, which sold almost $9m worth of tickets in each of its first 10 days on release in the US, is top among 1997's late starters. It broke a three-day box office record last weekend, when it grossed $36m.

Tomorrow Never Dies, the latest James Bond film, was running a close second with US revenues topping $60m by yesterday. Metro-Goldwyn-Mayer, the movie studio, said last night worldwide receipts had reached $140m in the film's first 10 days.

Scream 2, a horror film aimed at teenage viewers, and family-oriented *Flubber*, both released earlier, were also advancing with more than $70m each.

With total domestic cinema revenues almost 8 per cent ahead of last year, at a record $6bn plus, the summer's disappointments have faded.

20th Century Fox, which lost about $70m on *Speed 2: Cruise Control*, has found consolation in the extraordinary results so far from *Titanic*, a joint venture with Paramount.

Industry experts say overseas revenues, which have yet to be counted, will ensure products such as Warner Bros' *Batman & Robin* – which cost about $190m to make and market in the US yet sold only $107m worth of tickets – will turn a profit.

In terms of numbers, the hit of the year was *Men in Black*, which grossed $250m for Sony, followed by *The Lost World*, Steven Spielberg's Jurassic Park sequel, with $230m.

However *My Best Friend's Wedding*, made for $42m and ending its run with a US gross of $127m, is judged to have the best profit margins.

One surprise was *Hercules*, the Disney animated feature, which took almost seven months in the cinemas to pass $100m. Yet the re-release of *Star Wars*, the venerable space tale, generated almost $140m in half that time.

Off screen, the reversal of Sony's fortunes after almost 10 years of decline resulted in the Japanese-owned studio capturing an estimated 21 per cent of the year's box office market and displacing Disney's Buena Vista, which had led the rankings for three years.

Tom Cruise as *Jerry Maguire*, and *Liar Liar*, the Jim Carrey comedy, got the season off to a brisk start, but the market appeared to falter in summer – the traditional cinema-going period.

US 1997 BLOCKBUSTERS	$m
Men in Black	250
The Lost World	236
Liar Liar	180
Air Force One	170
Jerry Maguire	154
Star Wars	140
Ransom	136
101 Dalmatians	136
My Best Friend's Wedding	127
Face/Off	112
Batman & Robin	107
George of the Jungle	105
Contact	101
Hercules	100

*Estimated gross revenues, Christmas to Christmas
Source: Hollywood Reporter and FT

Titanic helps Viacom, Page 12

Elton John knighted in Blair's New Year honours

By David Wighton, Political Correspondent

Elton John, the singer who moved millions with his performance during the funeral service for Diana, Princess of Wales, has been awarded a knighthood by Tony Blair, the British prime minister.

A number of those involved in the organisation of the September funeral have also received state recognition in the New Year honours list.

Elton John's knighthood was granted for services to music and for his charity work which included causes supported by the princess.

Mr Blair also used his first honours list since becoming prime minister to reward those working in the public education system.

Three serving headteachers have been made knights or dames and 53 other honours have gone to teachers and support staff in education.

The highest award of a life peerage went to Paul Hamlyn, a multi-millionaire publisher who is one of the ruling Labour party's biggest financial backers. A generous philanthropist, Mr Hamlyn has also made large contributions to educational charities.

Although Mr Blair has stated his intention to change the honours system, the list represents a continuation of the "democratisation" started under the previous government rather than a radical reform. As usual, a number of senior civil servants and diplomats were honoured and the heads of seven of the UK's top 100 companies received knighthoods.

The prime minister's official spokesman said the emphasis on education reflected the government's view that there were no more important jobs than teaching. "We are not only honouring the best of the profession but the profession itself," he said.

The business honours included knighthoods for George Bull, chairman of Grand Metropolitan; John Carter, chief executive of Commercial Union; Graham Hearne, chairman of Enterprise Oil; Neville Simms, chief executive of Tarmac; Brian Smith, chairman of Cable & Wireless; Barrie Stephens, chairman of Siebe; and Dennis Stevenson, chairman of Pearson, publisher of the Financial Times. There was also a knighthood for Frank Barlow, former chief executive of Pearson and the Financial Times.

The only politicians honoured were David Trimble, leader of the Ulster Unionists, who becomes a privy counsellor, and Chris Patten, the former governor of Hong Kong, who was made a companion of honour.

THE LEX COLUMN

Currency cosmetics

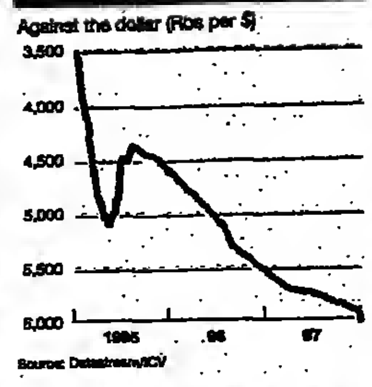
At midnight tonight the Russian central bank will lop three noughts off the rouble in a symbolic bid to consign the era of stagflation to the history books. But a cosmetic facelift to a currency, whose value has plummeted since the Soviet Union collapsed and which remains under pressure on fall-out from Asia, will not restore investor confidence. That will return only once it becomes clear that Russia's main economic problem, a budget deficit requiring continued inflow of foreign capital, is being tackled.

The punishingly high interest rates imposed by the government's policy of controlled depreciation of the rouble have worsened the problem. Government interest costs could rise by as much as 2 per cent of gross domestic product in 1998. Tightening the fiscal stance to meet the shortfall would crowd out private sector investment, constraining growth and the tax take. So the government will probably be forced to choose between cutting services or expanding the deficit beyond the revised target. Either way, a troublesome supplemental budget seems likely.

The political heat this would generate should keep up pressure on the government to tackle the structural problems depressing revenues. Without reforms of the tax code and cuts to social security spending and subsidies, a reoewed speculstive assault on the rouble will probably result. Structural problems, after all, cannot be treated as problems of liquidity indefinitely.

FTSE Eurotop 300 index: 994.2 (+4.0)

Rouble



Source: Datastream/ICV

Viacom

Viacom, for so long the laggard among the big US entertainment companies, is turning into a hot stock again. Its shares have risen 45 per cent in the past two months on hopes that the group is finally preparing to sell parts of its empire – the latest speculation surrounds its publishing arm, Simon & Schuster. It could then repay the mountain of debt it has laboured under since its Paramount takeover in 1994.

There is certainly valne to unlock. Viacom has proved this by realising premium prices for some smaller assets. The disposals of its radio stations and 50 per cent interest in the USA cable network were made at high-teens multiples of earnings before interest, tax, depreciation and amortisation (ebitda). That has reduced debt to around $8.4bn, although there is also $1.2bn of convertible stock.

Of the bigger pieces of the pie, Simon & Schuster, the world's largest educational English-language publisher, could be worth 10-11 times its ebitda, or about $4bn. The group's television stations, regional theme parks and the Showtime pay-TV network, all of strategic value to other media companies, could fetch another $5bn. A knottier problem will be the ailing Blockbuster video rental chain. If the business can be stabilised, it might be possible to spin it off. But the valuation would be low, perhaps six times ebitda, or $2.5bn.

That would leave Viacom essentially debt-free and with two attractive franchises: the MTV and Nickelodeon cable TV networks, and the Paramount film studio. On 15 times their combined estimated ebitda of $1.2bn, that would value Viacom's shares at nearly $50 apiece, 20 per cent higher than the current price.

Harrisons & Crosfield

The joy of a metamorphosis story is that it prompts a stream of announcements giving management the chance to ram home its message. Harrisons & Crosfield is now close to completing its switch from conglomerate (bad) to refocused chemicals company (good). Buying Rheox helps put the word speciality into its old chemical and industrial division. Writing down its animal feed and malt businesses helps draw a line under the disposal programme. The return of £402m to shareholders is confirmed. For this reiteration of the story told a couple of months ago, Harrisons deserves to see its shares back in the 130p-140p range. But there are e few questions. The first is: has it overpaid for Rheox at 3.4 times last year's sales? Harrisons' counter argument that the operating profit multiple compares favourably with other bids is not wholly convincing. There can be little scope for improving Rheox's impressive 29 per cent 1996 margin, whereas at least two of the comparators – Allied Colloids and Holliday – have considerable headroom. So it comes down to growth potential, tax benefits and synergies. Fine. But the new "Elementis" management will have to deliver. Another nitpick is the restructuring at the existing chemicals business: 1997 is not proving a good year for the new core.

But, back to the story: the emerging Elementis. Its new geared-up balance sheet could have net debt of around £260m. The comfort level of five times interest cover suggests operating profits of £80m-£90m. Applying a normal tax rate (it will be lower) and a chemicals sector rating gives Elementis a value of 80p-90p a share. Add in the 56p distribution and 18p for other disposals, and the sum of the parts comes to 150p-160p, a reminder that the process is delivering some value from this spring's low base.

Rémy Cointreau

At least when French retail group Casino warded off Promodès's hostile bid, it was showing both profits and share price growth. The same cannot be said of the drinks group Rémy Cointreau. Even a share price rise of around 20 per cent this week on speculation of a link-up with Pernod Ricard leaves Rémy's shares a third below their February level. Meanwhile its pre-tax profits, which disappeared last year, remain under pressure from the Asian downturn and high interest costs. This has softened up the controlling Heriard Dubreuil family to consider, if not an outright sale, at least a distribution deal. Its costly international network needs more product pushed through it. Pernod Ricard could afford to buy Rémy, even though net debt pushes up the enterprise value to around FFr 10bn. A domestic deal ought to give the most scope for cost savings, but lack of control would limit Pernod's scope for rationalisation. Pernod's reticence towards Dewar's, the leading US whisky brand being sold by Diageo, shows ewareness that international expansion is not without risks. Playing it equally coy with Rémy might still lead to an interesting deal.

Soros on global loans

Continued from Page 1

argue that financial markets in general, and international lending in particular, need to be regulated is likely to outrage the financial community; yet the evidence for just that is overwhelming," Mr Soros states. He believes the private sector is ill-suited to allocate international credit.

Mr Soros has been ettacked in recent months by *Mahathir Mohamad*, Prime Minister of Malaysia, who has claimed that international speculators had destabilised Asian financial markets. He has strongly rejected such claims.

Mr Soros has argued before against the view that free markets should be left to correct themselves without government intervention. But this is the first time he has proposed an international loan guarantee institution of this type.

He thinks the timing is right for the idea, since nobody would be interested when markets were buoyant.

"Such an institution can be set up only at a time when international lending is in a state of collapse," he says. "We are now entering such a period."

Mr Soros hopes Monday's decision by international banks to roll over some of their debts to Sonth Korea marks a turning point.

Satellite phone group steps $275m closer to global system launch

By Christopher Price

ICO Global Communications, one of a number of consortiums racing to build the first satellite-based system supporting global calls from a pocket telephone, has raised almost half the $4.5bn needed for launch.

The only European-based consortium in the race said yesterday that shareholders had put up $275m taking the total invested in the project to $2bn.

The disclosure, which comes less than a year before the consortium launches its first satellite, is likely to be followed by a public listing in 1998 to help fill the capital shortfall.

Two competing US-based satellite consortiums, GlobalStar and Iridium, have listed on the US Nasdaq market, and ICO is thought likely to follow.

Both US groups have market capitalisations in excess of their funding requirements, implying a value of more than $4.5bn for ICO should it decide to float. Melvin Pointer, ICO treasurer, said a listing was "one of a number of financing options under discussion".

ICO and its competitors are investing billions of dollars to place networks of satellites in low earth orbit. They will be able to receive and deliver calls from anywhere in the world on handsets no larger than today's mobile phones.

ICO's latest fund-raising move is likely to mark the beginning of e hectic period of activity in the satellite market. The development of so many global systems has prompted some analysts to question whether there is the demand for all to succeed.

ICO plans to launch 12 satellites to provide a global network for hand-held mobile phones. Its 57 investors include British Telecommunications, Deutsche Telekom, Inmarsat and VSNL of India. ICO hopes to be operational in 2000. It will compete with Iridium, led by Motorola, GlobalStar, led by Loral, and Ellipso, owned by Mobile Communications Holdings – all of the US.

Another race is taking place among consortia competing for data traffic and multimedia services. One of these, Skybridge, controlled by Alcatel Alsthom of France, is also due to float on Nasdaq this year. Teledesic, in which Bill Gates of Microsoft has interests, hopes to take edvantage of demand for internet services when it launches next century.

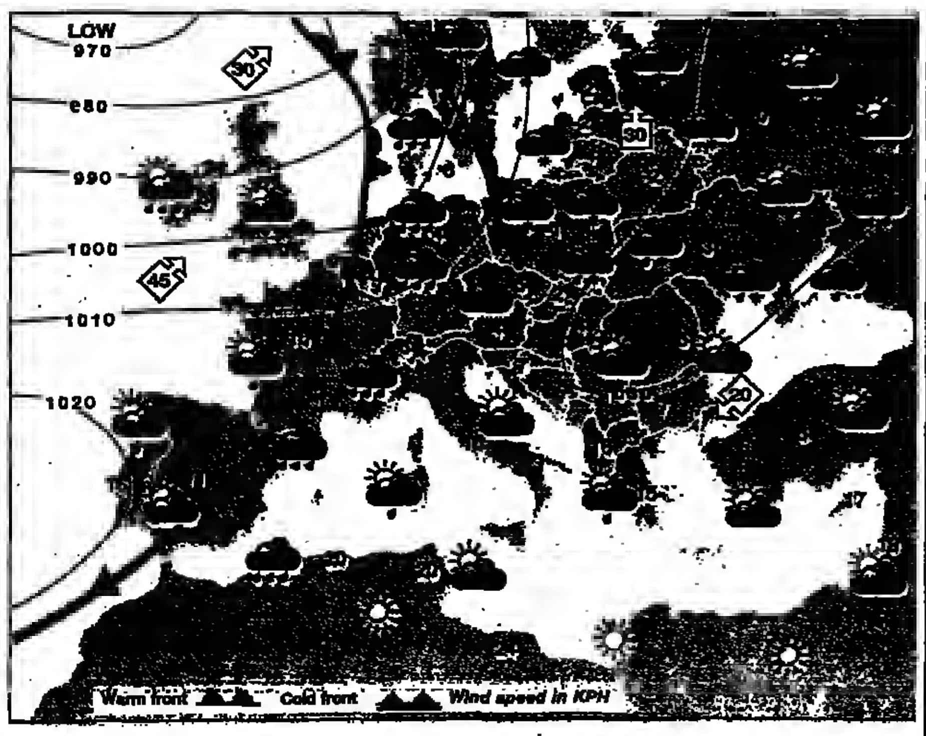
FT WEATHER GUIDE

Europe today

Heavy rain will affect southern Scandinavia with snow in central parts. The north will have dry periods with snow showers. The Low Countries, Austria and Switzerland will see rain later but Germany will remain dry. Heavy rain in western France will sweep eastwards to affect most parts. Rain in Portugal will clear east into Spain as cooler, more showery weather spreads in. Elsewhere in the Mediterranean there will be occasional showers but all parts will also have some sun. Eastern Europe will have widespread snow which will fall as sleet in the south.

Five-day forecast

Europe will be generally unsettled with Atlantic lows and associated fronts sweeping in from the west. This will lead to spells of rain with punctuated by showers. The Mediterranean will be unsettled with showers in many parts.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	Sun	26
Accra	Fair	32
Algiers	Fair	20
Amsterdam	Rain	9
Athens	Fair	18
Atlanta	Sun	8
B. Aires	Fair	24
B.ham	Shower	7
Bangkok	Fair	35
Barcelona	Cloudy	15
Beijing	Sun	2
Belfast	Shower	6
Belgrade	Fair	8
Berlin	Cloudy	4
Bermuda	Shower	22
Bogota	Cloudy	20
Bombay	Fair	31
Brussels	Shower	9
Budapest	Fair	4
C.hagen	Drzzl	5
Cairo	Fair	20
Caracas	Sun	30
Cardiff	Shower	8
Casablanca	Thunder	17
Chicago	Fair	-6
Cologne	Fair	8
Dakar	Fair	26
Dallas	Sun	14
Delhi	Fair	19
Dubai	Fair	26
Dublin	Shower	6
Dubrovnik	Fair	15
Edinburgh	Shower	7
Faro	Shower	16
Frankfurt	Cloudy	7
Geneva	Rain	8
Gibraltar	Shower	17
Glasgow	Shower	7
Hamburg	Rain	5
Helsinki	Snow	-2
Hong Kong	Cloudy	22
Honolulu	Fair	26
Istanbul	Fair	10
Jakarta	Cloudy	32
Jersey	Rain	11
Johannesburg	Thunder	23
Karachi	Fair	28
Kuwait	Rain	15
L. Angeles	Cloudy	25
Las Palmas	Shower	22
Lima	Fair	30
Lisbon	Shower	15
London	Shower	8
Lux.bourg	Shower	5
Lyon	Fair	12
Madeira	Rain	18
Madrid	Rain	11
Majorca	Cloudy	18
Malta	Fair	15
Manchester	Shower	10
Manila	Thunder	29
Melbourne	Sun	28
Mexico City	Fair	23
Miami	Fair	23
Milan	Rain	5
Montreal	Snow	-11
Moscow	Snow	0
Munich	Fair	5
Nairobi	Cloudy	24
Naples	Fair	17
Nassau	Fair	25
New York	Cloudy	-1
Nice	Rain	14
Nicosia	Sun	17
Oslo	Sleet	2
Paris	Shower	10
Perth	Fair	30
Prague	Fair	2
Rangoon	Sun	33
Reykjavik	Sleet	3
Rio	Thunder	30
Rome	Fair	16
S. Frsco	Fair	15
Seoul	Shower	3
Singapore	Rain	32
Stockholm	Sleet	2
Strasbourg	Fair	7
Sydney	Fair	27
Tangier	Rain	16
Tel Aviv	Cloudy	15
Tokyo	Fair	12
Toronto	Snow	-7
Vancouver	Rain	12
Venice	Cloudy	6
Vienna	Fair	4
Warsaw	Snow	-1
Washington	Fair	0
Wellington	Fair	18
Winnipeg	Snow	-2
Zurich	Fair	5

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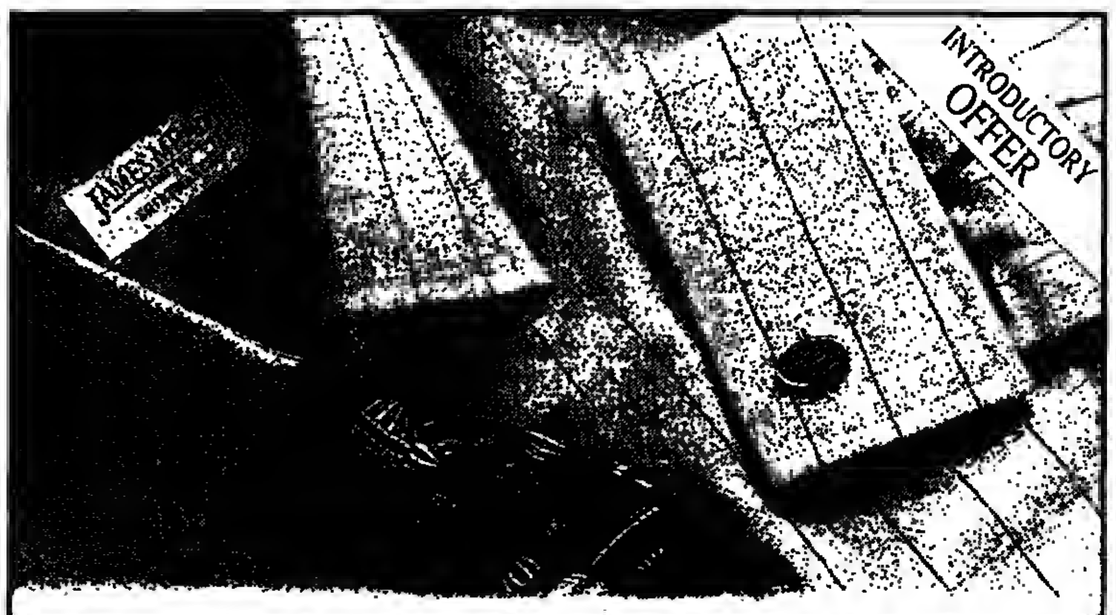

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Split yoke for comfort

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INSIDE

Rich pickings for City advisers

Banks had another bumper year in 1997 advising on £64.1bn ($106bn) worth of UK mergers and acquisitions. This fell just short of the 1995 record of £67.7bn, according to a survey by *Acquisitions Monthly*, which also estimates that the City earned £1.3bn in fees from UK takeovers in 1997. Page 13

Scottish fish farmers favour halibut
Fish farmers in Scotland have reared a species of halibut, which commands up to four times the price of farmed salmon. As technology improves, farmed halibut prices are expected to settle between £5 and £6 a kilo, making hatchery and farming operations viable. Page 16

Adventurous investors look to Bulgaria
For investors looking for high returns in 1998, the answer could be Bulgaria. While Romania and Russia proved the happiest bunting grounds for the adventurous during 1997, analysts are looking to Bulgaria to achieve some of the most spectacular gains in 1998. Page 26

Electronic market to trade in waste
The perception of waste and the way it is handled could soon change with the launch of an electronic "trading floor" in the UK. It is hoped the floor will introduce transparency and stability into markets for waste materials such as paper, plastics, wood and glass. Page 16

Israeli shopkeepers feel the pinch
Local shopkeepers in Israel are under pressure from the rapid growth of large shopping malls and "same store" outlets, where consumers can buy everything under one roof. Page 12

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 16

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Anlers NV Prf	470	+	40
Bausch	49	+	5
Heidelbgr NV Pf	102	+	7
Rinol	51	+	4
Falls			
Jungfrch NV Pf	270	-	20
Schneider Rnfk	260	-	15
NEW YORK ($)			
Rises			
Airborne Frght	60⅞	+	4¾
Compusa	28⅝	+	2⅞
Dayton Hudson	68⅞	+	5⅞
Gen Cable	36	+	2⅝
Falls			
Nelson B	12	-	1
Penn Va	28¾	-	1¼
LONDON (Pence)			
Rises			
Ashtead	190½	+	10½
Fibernet	105½	+	18
ISA Intl	80	+	10
MFI	119	+	7
Tepnel Life	62½	+	8
Falls			
BOC	991	-	29
TORONTO (C$)			
Rises			
Am Safety	18.0	+	3.2
American Eco	14.60	+	1.35
MDSI Mobile	25.5	+	2.5
Pendaries Pet	11.5	+	1.5
Falls			
Biochem Phrm	29.50	-	1.45
Softkey Softwr	22.75	-	1.80

PARIS (FFr)			
Rises			
Arbel (Etabl)	45	+	5
Bourgeois	55.8	+	11.3
Cipe France	202.7	+	22.9
Falls			
Festis	186.5	-	19.5
Go Sport	370.5	-	29.5
Stephane Kelian	60.2	-	4.6
TOKYO (Yen)			
Rises			
Koyo Iron Wks	90	+	30
Nppn Light Mtl	190	+	36
Seiki Kensetsu	99	+	24
Falls			
Marubeni Cnstn	71	-	19
Nippon Lace	19	-	16
Toyoko Ribon	306	-	94
HONG KONG (HK$)			
Rises			
Cosco Pacific	6.50	+	0.35
First Pacific	3.85	+	0.25
HK & S Hotels	6.6	+	0.3
Jardine Intl Mtr	4.10	+	0.42
Shanghai Ind	28.50	+	1.75
TVB	22.0	+	1.35
BANGKOK (Baht)			
Rises			
Post Publish	21.50	+	4.75
Thai Reinsure	63.5	+	13.5
Thantawan	61	+	13
Falls			
CVD Entertain	25.25	-	8.75
Khonkaen (S)	48.5	-	20.5
Rockworth Pub	13.50	-	5.75

New York and Toronto prices at 12:30.

Losses prompt leading Japanese bank to cut property-related assets

Sakura set to overhaul operations

By Paul Abrahams in Tokyo

Sakura Bank, one of the world's largest banks with assets of Y54,700bn ($420bn), plans to restructure its domestic and overseas operations.

The group, part of Japan's Mitsui business grouping, said yesterday it aims to cut its property-related assets through securitisation and focus on housing loans and selling financial products such as investment trusts. Details will be announced next month.

The move – triggered by poor profitability and an eroding capital base – is a setback for Sakura's ambitions. Among Japanese banks it has the largest international network after Bank of Tokyo-Mitsubishi, the world's largest bank.

Sakura, which is heavily exposed to the troubled construction and commercial property sectors, has suffered huge losses from a string of failures among its clients. This month the bank said it would be forced to write off as much as Y124bn, which it had loaned to Toshoku, a failed medium-sized food wholesaler.

Sakura has already endured losses from the failure in August of Daito Kogyo, a construction company, and provided rescue funds for other construction groups such as Fujita and Mitsui Construction. Yamatane Securities, its securities house, last year reported its seventh consecutive year of losses.

The health of its finance company affiliates remains a concern and the company is also exposed to Thailand. At the end of September, it had Y1,666bn of problem loans.

Shares in Sakura, which announced a previous restructuring in September, have fallen from a high this year of Y975 to just Y373 yesterday. Its debt was downgraded by Standard and Poor's, the US rating agency, on December 24.

So far, Sakura has had difficulty boosting profitability by cutting costs. Its expense ratio remains high even by Japanese standards, mainly because it has taken so long to cut staff following the bank's creation in 1990 through the merger of Mitsui Bank and Taiyo Kobe Bank.

Sakura's return on assets at 0.03 per cent last year was below average for one of Japan's leading banks.

Tokyo traders bow as the Nikkei 225 average rose 483.52 to close the year at 15,258.74. Sakura Bank's problems were compounded by the sharp decline in the Tokyo stock market — Reuters

The group's problems have been compounded by the steep fall in the Tokyo stock market. In March 1996 it had unrealised gains on its equity portfolio of Y1,600bn. However, brokers Jardine Fleming estimate that if the Nikkei closes at 15,209 at the end of March next year, Sakura will no longer have any unrealised gains on its portfolio. Yesterday the Nikkei 225 closed at 15,258. The bank only made a profit last year by selling some equities.

Sakura said suggestions it would close half its international operations were exaggerated. The company has 99 overseas branches, representative offices and affiliates in Asia, Europe and the US.

The group owns Sakura Global Capital, a New York-based company focusing on currency and interest rate swaps; a majority stake in Sakura Dellsher, a futures broker based in Chicago; Sakura Securities USA; and Sakura Bank Canada. In London it runs Sakura Finance International, a fully controlled subsidiary that concentrates on securities underwriting and trading activities.

UK group buys Rheox for $465m

NL to concentrate on titanium dioxide

By Richard Tomkins in New York and David Blackwell in London

NL Industries, the US chemicals company controlled by Texan billionaire Harold Simmons, has agreed to sell its Rheox speciality chemicals division to Britain's Harrisons & Crosfield for $465m in cash.

NL said it intended to cut debt and increase capacity in its mainstay titanium dioxide business at a time when world demand was picking up and prices had started to rise.

It hopes to buy the rest of Louisiana Pigment, a titanium dioxide plant in Lake Charles, Louisiana, in which it already has a 50 per cent stake. The rest is owned by Imperial Chemical Industries, the British chemicals company.

ICI announced earlier this year that it was quitting the titanium dioxide business as part of a plan to concentrate on speciality chemicals. It agreed to sell its titanium dioxide business outside North America to DuPont.

Although quoted on the New York Stock Exchange, NL is 74 per cent owned by Mr Simmons, an investor and corporate raider who won control of the company in 1986. In 1990, Mr Simmons waged – and lost – a proxy fight for Lockheed, the US defence company.

Rheox makes additives that control the flow characteristics of products including paints, inks, cosmetics and adhesives.

Operating profits at Rheox were $39.3m in 1996 after growing at a compound annual rate of almost 13 per cent for two years. In the same period sales – 60 per cent of which are outside the US – increased by a compound rate of 7 per cent to $134.9m.

At midday yesterday, NL's shares were up $⅞, or 7 per cent, at 13\frac{1}{16}$.

For Harrisons & Crosfield, the deal is the final step in turning itself into a chemicals company. The group, which in the past 12 months has made disposals totalling £479m ($790.35m), is also to return £402m to shareholders, equivalent to 56p a share.

Bill Turcan, chief executive, said the deal would give Harrisons & Crosfield critical mass in speciality chemicals, enabling it to expand both organically and through acquisitions.

Shares in the group, which hit a low of 101½p earlier this year, rose 6½p to close at 139p.

UK analysts welcomed the deal and the improved financial structure, but added that the new management team had a lot to prove.

The group, which will be known as Elementis from tomorrow, also announced provisions totalling £220m to be taken in this year's accounts. The figure includes £79.9m of goodwill previously written off and a £90m provision to reflect the fall in value of BOCM Pauls, the animals feed business, and Pauls Malt.

Mr Turcan said the group was still in talks over the possible sale of BOCM Pauls.

Under US law, the goodwill can be written off over 15 years. George Fairweather, finance director since March, said the group tax rate would fall to the low 20-per-cents, then rise slowly each year.

Because of the 56p a share being returned to shareholders, no final dividend will be paid. In future the dividend will reflect the new financial structure of the group, and will be covered up to 2.5 times by earnings.

Lex, Page 10

BP buys German plastics company

By Michael Peel and Andrew Fisher in Frankfurt

BP Chemicals has begun a global expansion of its styrene plastics business after agreeing to pay more than $200m for the styrenics unit owned by Hüls of Germany, the Veba group chemicals subsidiary.

Styrene is used in the production of polystyrene and expanded polystyrene (EPS). The purchase of Styrenix Kunststoffe is BP's largest chemicals acquisition for 15 years, and will make its styrenics business Europe's second largest by capacity.

Its aim is to use European technology in styrenics to expand its Asian activities, including joint ventures.

"The whole point of this deal is to allow us to grow globally," BP said. "We have got a strong position in the [European] market and this will give us extra production technology to add to that."

The sale fits in with the restructuring policies of Veba and Hüls, which are focusing on specialised sectors that promise a high return in international markets.

Hüls had been trying to sell Styrenix for about a year, since it was neither a core business nor market leader. Two other companies – one in the US and one in Europe, outside Germany – were also interested. Hüls favoured BP partly because it expected it to maintain existing plants.

Global sales of polystyrene and EPS last year were estimated at about $9bn, up 3 per cent to 4 per cent on 1995

The deal will increase BP's polystyrene and EPS capacity by 170 per cent to 515,000 tonnes a year. The company has also unveiled plans to increase output at its plants near Lille in northern France and at Baglan Bay, South Wales, by 100,000 tonnes a year by the end of 1999. BASF of Germany has capacity of about 840,000 tonnes.

Styrenix had turnover last year of DM550m (£184m). It employs 488 people at Marl in Germany and Trelleborg in Sweden. The expansion scheme will give BP about 5 per cent of the world market for polystyrene and EPS.

"This deal leap-frogs them on a European basis but on a global basis they are still small," said one analyst. "You need economies of scale regionally and globally to be a real world competitor."

Barry Riley

Tortoise beats Tigers: a fable for the new year

Year-end flurries in New York and London remind us of the potency of all those seasonal analyses, such as those of the "January effect". The precise reasons for such seasonality remain controversial, but if they are to do with liquidity factors then the effect could be even more powerful than usual this year.

As all those year-end institutional subscriptions and January mutual fund contributions flood in they will collide with high liquidity in some markets. This applies especially to the UK, where bearish pension funds probably have 7 or 8 per cent in cash on average for the calendar year-end, and the serious doomsters have more.

However, there is less liquidity in New York, and there has been a ferocious credit squeeze in the Far East, where in many countries banking systems are on life support. These global contrasts can no doubt persist for a while. But the Asian shortages have been making an impact on the US Treasury market, with official holders pulling out substantial sums – leading to a reported fall of more than $12bn in Federal Reserve custody holdings for foreign central banks last week.

These weekly changes are erratic, but the drop has been more than $30bn in the quarter now ending. Further, the year-on-year figures have now gone negative, marking a fundamental change from the positive flow of funds environment in bonds which helped generate the vigour of the equity bull market from 1995.

True, the negative numbers are limited to public sector flows. The pressure has therefore been at the very short end of Treasuries, where official holdings are concentrated; the long bond yield has actually been falling since April. On the other hand, private sector flows out of Asia into dollar securities probably remain positive.

There is certainly no sign of the nightmare of the forced sale and repatriation by private sector Asian holders of dollar assets regardless of price. Indeed, there is an obvious safe-haven effect, with long bond yields in Europe and the US falling to their lowest in decades. The conspiracy theory, anyway, is that the IMF bail-outs are primarily to underpin the US markets.

> There has been a credit squeeze in the Far East and many banking systems are on life support

This week's opinion in the markets has been that the cracks were satisfactorily papered over during Christmas. At least, it seems to have been viewed positively that the Japanese banks should have obligingly agreed to roll over about $6bn in short-term loans to Korean banks. Seldom can a near-bankrupt borrower have been in such a strong bargaining position.

Is Asian gloom thus no longer a serious threat to the West in 1998? Perhaps slaughtering 1.3m chickens or risking $100m or so can fix the contagion problem at source.

But here are a couple of thoughts. First, remember that the Asians have been furious savers, but a large proportion of their paper (and real estate) wealth has been wiped out this year. The Americans have been miserly savers (in aggregate, anyway), but paradoxically the market value of their assets has continued to grow rapidly.

Is this just a reassuring tortoise-beats-hare financial fable for our times? Maybe, but the Tigers were touted as a growth engine for the global economy. And surplus Asian savings were to be available to finance over-consuming and capital-hungry America.

Second, American companies are leveraging their balance sheets. It makes excellent sense to options-loaded executives to do so when "new paradigm" growth stretches so benignly ahead. But is this really a clever time of the economic cycle to be doing it? Maybe corporate America has something to learn from the Far East experience, after all.

Increased equity market risk is already flashing some warning signals. The "October effect" of high volatility has persisted, albeit at slightly less extreme levels. But so far the ups and downs of Wall Street since August have turned out to be roughly self-cancelling. Or perhaps the January effect has come early this year.

£400,000,000
Senior Debt Facilities
to support the acquisition of
William HILL
William Hill Group
Acquisition arranged by
Nomura International plc
£175,000,000
Term 'A' Loan
£100,000,000
Term 'B' Loan
£75,000,000
Term 'C' Loan
£50,000,000
Revolving Credit Facility
Lead Arranger
Bankers Trust International PLC
Agent
Bankers Trust Company
Bankers Trust
Architects of Value

Fidelity to stop reporting daily assets

By John Authers in New Ynrk

Wall Street dealers will havs to cope with s sharp reduction in ths information they receive about cash flows into mutual funds following the decision by Fidelity Investments, the world's largest fund manager, to stop publishing daily information on its net assets next year.

The move highlights the attention which mutual fund flows have received in the past few years on Wall Street, where the record amount of money being invested by small savers is perceived as a key factor in the persisting hull market for US equities.

Fidelity's decision follows a move by Vanguard of Pennsylvania, the second largest mutual fund company, which has enjoyed the largest mutual fund sales so far this year, to switch to reporting its net assets only once o month. As the two companies together account for about 20 per cent of the market, it will now be virtually impossible to estimate the net flow of money into the industry on more than a monthly basis.

Fidelity has about $600bn under management, and significant shifts by its portfolio managers have the power to move share prices. Dealers can use daily net asset information to help them spot that a Fidelity manager is making a shift in the portfolio, and this can affect the price at which the company can sell. Industry watchers monitored flows into specialist funds, and used the information to recommend sectors, and somstimea individual stocks.

According to Fidelity: "We found that people look at the change in assets and try to determine how the funds are trading. Wa took this action to protect shareholders' assets; there is no benefit to shareholders in making this information available every day."

Interest in mutual fund flows has intensified since the last week of October, when the Dow Jones Industrial Average suffered its worst daily decline in points terms, only to record its strongest daily gain the next day, following reports that small investors had made significant net investments overnight.

Several companies publish estimates of daily fund flows for ths industry, using regression techniques based on overall market performance and net asset figures. These figures often differ widaly from the industry's official figures, which are compiled by the Washington-based Investment Company Institute on a monthly basis. They are normally available two weeks into the following month.

According to the institute: "Ws took a philosophical decision on this many years ago. The feeling was that it would be counter-productive to promote mutual funds as a long-term investment and then produce daily or weekly calculations on cash flow."

Nasdaq turns to Europe for new entries

By John Authers in New York and Tim Burt in Stockholm

The Nasdaq stock market yesterday underlined the steady hlurring of international boundaries in capital markets by adding two non-US companies, Ericsson, the Swedish telecommunications company, and Reuters, the London tnformatton group, to its Nasdaq-100 stock index for the first time.

Nasdaq also signalled its determination to compete with the larger New York Stock Exchange for listing foreign companies.

Inclusion in a closely watched index can be valuable for companies, following the growth of so-called index funds which seek passively to track index performance, and of index-based options for hedging.

However, Nasdaq's decision is at variance with the policy implemented by Standard & Poor's, which controls the S&P 500, the most closely monitored benchmark of US equity market performance.

A few multinationals, such as Royal Dutcb-Sbell and Unilever, have been in the S&P 500 virtually since inception and will not be removed, but S&P's policy in recent years has been not to add non-US companies.

On the Nasdaq market, where Ericsson has been quoted since 1983, average trading volumes have reached 2m a day.

Industry analysts said US trading in Ericsson, which is 40 per cent-owned by North American institutions, had increasingly influenced share movements in the London and Stockholm markets, where the company's shares are also quoted.

In Stockholm, its most commonly traded B shares rose SKr9.50 to SKr302.50. However, they dipped significantly on Nasdaq, falling $⅞, or 2.3 per cent, to $37¼ by mid-session.

There were spectacular jumps for some of the US-based new entrants to the Nasdaq-100, which is revised annually, with Apollo Group, an education and training provider, gaining 6.32 per cent, and Immunex, a bio-pharmaceutical company, gaining 6.03 per cent.

Nasdaq said the adjustments would improve the index's valne as a hedging device, and would ensure it represented the largest and most active share issnes traded on Nasdaq.

All the 100 constituents are picked from the 125 largest Nasdaq issues, judged by market capitalisation at the end of October.

If the company is oot based in the US, it must have a worldwide market value of at least $10bn, and a US market value of at least $4bn, with an average daily trading volume of 200,000 shares.

These requirements are more stringent than for domestic securities.

Titanic success: the record-breaking film with Kate Winslet and Leonardo di Caprio has boosted Viacom's share price

Viacom buoyed by Titanic

By Christopher Parkes in Los Angeles

Viacom shares climbed to an 18-month high yesterday, driven by the success of the film *Titanic* and continued speculation that the entertainment group plans to sell its Simon & Schuster publishing arm.

A laggard amoog entertainment stocks, held back mainly by the feeble performance of its Blockhuster video rental and music business, Viacom has come under pressure from investors to reorganise. A recent analysis by NationsBanc Montgomery securities house said it was likely to refine operations to become a film and television specialist. "We believe the company is motivated to revive its stock price and is taking the necessary measures," the report said.

By late morning yesterday Viacom shares had risen more than $1 to $41⅞.

Earlier this week the company completed the sale of Cinamerica, a cinema chain owned in partnership with Time Warner. It also received a hoost from the promising debut of *Titanic*, the epic disaster film which has broken box office records in the US. Viacom's Paramount Pictures, which co-produced the film with 20th Century Fox, owns US distribution rights while the News Corp subsidiary is issuing it overseas.

Options for Blockbuster – which has seen its core video rental operation hit by a maturing market and intense competition from mass retailers – include a spin-off. However, this option is not likely to be open until stability has been restored. Blockbuster's earnings before tax, depreciation and amortisation are expected to shrink to $238m this year compared with $773m in 1996.

Sumner Redstone, who controls Viacom, has repeatedly promised to reduce gronp debt, and analysts identify the sale of publishing as the most logical way to raise an estimated $4bn.

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Wharf Holdings wins battle against UIH

By Louise Lucas in Hong Kong

Wharf Holdings, one of Hong Kong's biggest conglomerates, has won a rare victory in its legal battle with United International Holdings (UIH), a Denver-based company.

The District Court in New York yesterday quashed the US company's application to have payments due to a Wharf subsidiary under a banking agreement turned over to the court.

The decision protects the US assets of Wharf's subsidiaries for the time being, but does not overturn earlier rulings against Wharf made by a Denver court.

Wharf welcomed the latest ruling. "We are pleased that the New York District Court recognised the limitations imposed by applicable law on UIH efforts to collect on their judgment before Wharf can exercise its right of appeal from the Denver judgment," the company said.

The company, which has protested that the case should have heen held in Hong Kong, further noted that it was the first time the civil action between UIH and Wharf had been heard outside Denver.

The latest ruling safeguards payments due to Krikler, a subsidiary of Wharf, from Chase Manhattan Bank relating to a US$100m interest rate swap agreement.

It comes barely one week after the Denver court ruled that Wharf should be barred from commercial dealings with financial institutions which have affiliates in the US.

UIH turned to the courts when Wharf denied the existence of a promise – which UIH claims was made in October 1992 – giving it an option to acquire 10 per cent of the loss-making Wharf Cable TV.

Wharf has consistently denied any agreement was reached with UIH.

The case has sparked wider concerns in Hong Kong's international business community, primarily over the issue of US courts extending their jurisdiction to what might be considered Hong Kong matters.

Business leaders have already raised the matter with the Hong Kong government, which is keen to preserve Hong Kong's reputation for a fair judicial system following China's resumption of sovereignty over the former British colony last July.

Yesterday, Wharf said it was continuing with its appeal on earlier rulings, which went against it, and was confident the Denver judgment would be reversed.

"We believe that the Denver verdict was contrary to applicable law and intend to exercise our appellate rights to secure reversal of the jury verdict," it said.

INTERNATIONAL NEWS DIGEST

UPM-Kymmene in share swap

UPM-Kymmene, Europe's largest forestry group, yesterday strengthened its alliance with Asia Pacific Resources International (April), the Singapore-based paper producer, by signing agreements on technology co-operation, marketing and environmental policies. The Finnish company, which in September announced a fine paper joint venture with April, said the agreements would cover production of such paper at plants in Europe and south-east Asia.

As part of the venture, the two have agreed to swap 30 per cent of their respective fine paper operations in a non-cash transaction. Yesterday, UPM-Kymmene said the share swap would take place during the first quarter of 1999. The share transaction has been timed to coincide with the start-up of the last of three fine paper machines under construction at April. *Tim Burt, Stockholm*

■ OIL AND GAS

Repsol lifts Astra stake

Repsol, the privatised Spanish oil and gas group, has ploughed a further $170.5m into its expansion programme in Latin America, building up its stake in its Argentine affiliate Astra to an outright majority. It said it aimed to turn Astra into the spearhead of its drive into the Mercosur region, with planned investments of about $2bn over the next five years and a broad range of activities similar to that of the group in Spain.

Repsol said it had raised its holding in Astra from 47.5 per cent to 56.7 per cent through a capital increase this month and the purchase of 2 per cent of its stock on the market in November.

The strengthening of Repsol's control brings its investment in Astra to $659m since it took its first stake in the company 18 months ago. The acquisition represents the biggest step in the Spanish group's strategy in Latin America, identified as one of the main potential growth regions in the oil and gas sectors.

Following Repsol's entry as shareholder – beginning with a 37.7 per cent stake in mid-1996 – Astra has increased its presence in the gas and oil sectors by spending some $440m on holdings in Pluspetrol Energy and Mexpetrol Argentina.

In May this year it announced a further $345m investment plan, securing control of a network of more than 600 service stations in Argentina, reinforcing its refining capacity and boosting its production of asphalt and lubricants. It followed this with a $79m acquisition in bottled gas distribution.

Repsol said it also had plans to strengthen its presence in Mexico and Brazil. *David White, Madrid*

■ DAIRY INDUSTRY

Dean buys Purity Foods

Dean Foods, the Illinois-based dairy processor and distributor, yesterday continued its acquisition spree, picking up Purity Dairies, a Nashville-based business which processes and distributes liquid milk, ice cream and other dairy products in Tennessee, Kentucky and northern Alabama.

Terms of the transaction with the privately-owned, family company were not disclosed, hut Dean said that Purity's sales were around $100m. It is the latest in a string of acquisitions by the larger midwest group, which has been eagerly expanding its dairy business as deregulation in the sector encourages a wave of rationalisation.

Nikki Tait, Chicago

■ MARKET RESEARCH

ACNielsen faces $36m charge

ACNielsen, the US market research company, yesterday said it would take s pre-tax charge of $36m against profits in the quarter ending this month, mainly to cover the cost of reorganising its loss-making operations in Japan. The company said it hoped to restore the Japanese business to profit by 1999.

ACNielsen said the results from its Japanese operations had suffered from several factors including high labour costs and the high cost of acquiring scanning data from retailers. The reorganisation would involve the rationalisation of product lines, the consolidation of facilities and a reduction in the workforce.

The company said the fourth quarter charge would also cover the cost of smaller-scale reorganisations in certain other Asia Pacific markets, but it said these were not directly related to Asia's economic troubles.

The reorganisations were expected to produce pre-tax savings of about $12m starting in 1999, the company said. The charge, it added, would be more than offset by a pre-tax gain of $39.1m from the sale of its investments in two companies: the Nasdaq-quoted Manugistics and privately-held GeoQuest. *Richard Tomkins, New York*

True North, Bozell link sees off French challenge

By Nikki Tait in Chicago

Shareholders of True North, the Chicago-based advertising group, yesterday voted heavily in favour of the company's planned $440m merger with Bozell, Jacobs, Kenyon & Eckhardt, another US agency – finally ending the ugly tussle between True North and its biggest shareholder, the French Publicis advertising group.

Two months ago, Publicis attempted to make a bid for True North, in which it held an 18 per cent interest, in an effort to derail the Bozell deal. But a series of court judgments in the US found its attempt to obstruct the Bozell deal was in breach of an agreement with True North last May, when Publicis and True North finally agreed to end efforts to build a worldwide alliance and go their separate ways.

As a result of the merger with Bozell, Publicis' stake in the Chicago group will be diluted to about 10 per cent.

The shareholder vote was taken after a brief, good-humoured meeting in Chicago yesterday morning.

Final results were not announced immediately, but more than 15m shares were said to have been voted in favour of the merger, out of the total of roughly 25m.

True North said 95 per cent of the proxies delivered ahead of the meeting – which did not include the Publicis holdiog – had been supportive, a result which Bruce Mason, True North's chairman, described as extremely gratifying.

Publicis will retain a director on the True North/Bozell hoard until his one-year term expires, but then lose entitlement to represention unless the stake is rebuilt.

It will also be unable to exit from its diluted bolding for a short period of time – should it wisb to – because of the structure of the True North Bozell deal. There was no immediate comment from the French company on the meeting's result.

The deal will almost double True North's size, lifting it from tenth place in the advertising agencies league table to sixth. The enlarged agency's billings will top $11bn, while revenues will be more than $1.2bn.

Bozell, which was previously privately-owned, had been viewed as a likely marriage partner for some time, and had been courted by various agencies. It counts Chrysler, Bristol Myers Squibb, and Merrill Lynch among its big clients.

Asked what damage the feuding with Publicis might have done, Mr Mason admitted this was unclear, but claimed much of the furore had been concentrated at a holding company level, leaving the actual agencies to continue their everyday business. "I don't know but luckily it was contained at the holding company level." Bozell's relationship with Chrysler, he claimed, was "as strong as ever".

In response to some analysts' comments that the Bozell deal still leaves the enlarged agency with a less than ideal worldwide network, Mr Mason said he believed there was no necessity to do another deal, but added the enlarged company would be in a better position to do one anyway.

He said True North's ability to exit its 26.5 per cent cross-holding in Publicis Communications, Publicis' operating subsidiary, should be unaffected by the tussle.

Last May's agreement ultimately allowed True North to require Publicis to buy out the stake after 1998.

Mr Mason added Bozell and True North were "more confident than ever" that they could deliver on the earnings enhancement for next year promised when their merger deal was first announced in late-July.

As for the amount spent on lawyers' fees seeing off the French challenge, Mr Mason declined to estimate the figure, but said it had been "good value" and "a pretty good investment".

Israel embraces one-stop retailing

Benny Porat knows it is only a matter of time before be will serve his last customer, pull down the shutters and close his smoll corner grocery store.

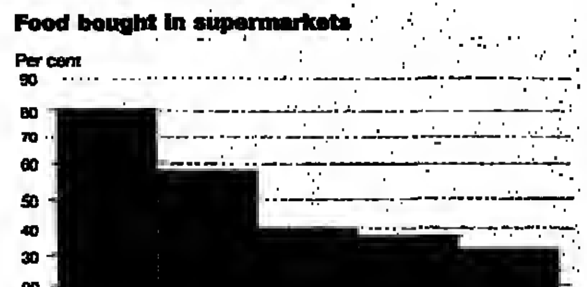
Like thousands of other local shopkeepers in Israel, Mr Porat is under increasing pressure from the rapid growth of large shopping malls and "same store" outlets, where the consumer can buy everything under one roof.

In spite of the slowdown in the economy, expected to grow by just over 2 per cent this year, food retail sales show few signs of being hit. If anything, according to Tal Liani, analyst at Zannex Securities, sales among the big retailers are expected to grow by an average of 14 per cent in the coming years. The sector itself is predicted to grow by about 4 per cent a year.

"The main reason is that unlike in the US or Europe, where the organised food retail sector accounts for about 80 per cent and 60 per cent respectively, it is only about 38 per cent in Israel. The rest is taken up by the small corner shops," Mr Liani says. The market, worth an annual $7.8bn, excluding institutional business, has plenty of room to expand.

The two main companies aiming to woo consumers away from the local shop to the shopping malls are Blue Square, one of the few Israeli non-high-tech groups listed on Wall Street, and Supersol, controlled by the Recanati family.

Food bought in supermarkets



Source: Zannex Securities

With annual sales of more than $1.2bn each, both have embarked on an aggressive marketing and expansion strategy, with each committed to investing at least $100m a year over the next three years.

Driving the expansion is the rise in living standards. With per capita income of around $16,900 a year, Israelis are demanding more choice and service, says Shmuel Ben-Eliezer, analyst at Solid Financial Markets. "The consumers, enjoying a rise in income, want to eat more and better and provide themselves with all the comforts and standards enjoyed by people in western, industrialised countries."

The other influenca is growing competition from abroad since the abolition of tariffs with the US and Europe. Food imports, for example, have increased 2.5 times since 1990 and now amount to $1bn, or 10 per cent of food consumption. Multinationals, such as Danone of France, Nestlé of Switzerland and Unilever of the UK, have also established a presence in the country via stakes in Osem and Strauss, Israeli food producers.

Blue Square is reacting to these trends by moving away from the small department stores and "focusing on new and hig outlets of over 1,200 square metres in size", says Yaakov Gelbard, president and chief executive officer. It now has 114 supermarkets and 44 speciality and fashion department stores.

In a bid to revamp Blue Square's non-food retailing sector – which accounts for 24 per cent of total revenues and has been hit hard by the slowdown in the economy – Mr Gelbard has won the franchise for Zara, the Spanish women's retailer. "The only way to improve this side of the business is to offer the customer variety and value for money," says Mr Gelbard. "I actually helieve Zara can increase our non-food sales hy about 15-20 per cent a year." Blue Square will also bring Ikea, the Swedish home furnishing retailer, to Israel.

Supersol has an edge over Blue Square, since almost all its sales are from food retailing, making it less vulnerable to the economic slowdown. But it has had to re-focus, giving up an attempt to tap into Hungarian food retailing and specialist office supplies.

Instead, over the past year, the company has consolidated, says David Alphandary, president. Supersol bought the 25 stores of Shekem, its competitor, and sold loss-making subsidiaries. It is also moving away from the inner cities to out-of-town shopping malls where rent is abont $8 a square metre, often a quarter the price for locations in cities and towns.

"Ws are opening 30 new stores in the coming years," says Mr Alphandary. The company will focus on "one-stop stores", adding by 1999 a further 90,000 square metres of retailing to its existing 200,000 square metres. Supersol ia also expanding its discount etores, which already account for 40 per cent of sales. And like Blue Square, it has modernised its logistics and distribntion network, cutting back daily deliveries from 40 to 16.

Both companies are targeting Israeli Arabs, who make up 20 per cent of the population but have been neglected hy retailers.

They are also opening stores in the ultra-Orthodox districts where, Mr Gelbard says, sales are reaching Shk20m ($5.6m) a month.

Analysts helieve the high level of investment and expansion at Blue Square and Supersol, which together control 27 per cent of the food retailing sector, will lead to further consolidation of the industry, especially among the smaller companies.

But as Mr Gelbard points out, Israel could become too small for Blue Square, as the large chains gain more market share at the expense of the corner store. Blue Square has already set its sights on Cyprus and has helped to finance and operate a shopping mall in neighbouring Jordan.

Mr Porat gives his grocery store three years.

Judy Dempsey

US engineers' spending spree before Emu

By Peter Marsh

The strength of the US economy and a desire to establish footholds in Europe ahead of economic and monetary union has given US engineering companies one of their busiest years in acquiring UK businesses.

According to accountancy group KPMG, takeovers and strategic investments by US companies in engineering-related UK businesses in 1997 totalled some $5.8bn, 87 per cent up on 1996 and more than twice the $2.3bn spent the previous year.

The figures for 1997 include the $2.5bn purchase of the T&N automotive components group by Federal-Mogul of the US announced during the year, but not expected to be finalised until early 1998.

According to Stephen Barrett, head of mergers and acquisitions at KPMG, the amount of bid activity is tied to the US view that the UK offers high-quality, though under-valued, engineering companies.

The UK is also seen as a a "springboard into Europe" prior to the start of a single currency in 1999.

While many US executives express concern that Britain has failed to commit itself to joining a currency union, Mr Barrett said: "The smart money is on Britain getting itself together on Emu and joining up eventually. The UK's tardiness on this issue is not affecting their [US executives'] behaviour on acquisitions."

The US companies interest is not confined to the UK. In the first 11 months of 1997, their investments in German businesses totalled some $1.6bn, twice the $838m spent in the whole of 1996 and more than four times higher than 1995.

Bid activity by US companies in the engineering sector in France was similarly strong, with the $868m spent on takeovers and related investments in the first 11 months of 1997, well up on the $489m spent in 1995.

The KPMG figures include the $1.32bn acquisition announced this month by Caterpillar of the US, the world's biggest construction equipment company, of the Perkins diesel-engine business, part of LucasVarity, the Anglo-American automotive components group.

Other large purchases of engineering businesses in the UK by US groups during 1997 have included the $370m takeover of Newman Tonks, the architectural hardware group, by Ingersoll-Rand.

Thermo Instrument Systems, the world's largest manufacturer of scientific analytical instruments, bought Life Sciences International, a laboratory equipment group, for $376m, while electronics distributor Farnell was bought by Arrow of the US for $300m.

Recent takeovers by US companies of German engineering businesses have been concentrated in the vehicle parts sector.

They have included the $305m purchase of Kautex by Textron, while Hayes Wheels bought Lemmerz for $295m and Lear Seating paid $235m for Keiper.

Advisers enjoy a further bumper year of mergers

By Charis Gresser

Banks had another bumper year in 1997 advising on £64.1bn worth of UK mergers and acquisitions.

This fell just short of the 1995 record of £67.7bn, according to a survey by *Acquisitions Monthly*, which also estimates that the City earned £1.3bn in fees from UK takeovers in 1997.

The biggest deal of the year was the £9.8bn merger of Guinness and Grand Metropolitan. Lazard Brothers, advisers to Guinness, scooped top place in the survey's league table.

It advised on 11 takeovers worth £19.6bn. It acted for Mercury Asset Management, which was on the receiving end of a £3.1bn bid from Merrill Lynch.

Lazards was also co-adviser to both Energy Group and Redland.

SBC Warburg Dillon Read came second, having advised on deals with a combined value of £18.1bn, including Grand Metropolitan.

Last year's star, Baring Brothers, fell to seventh place, while NatWest dropped out of the top 15 to come 17th.

A total of 1,801 deals were completed this year, the largest number since 1989.

The past 12 months have also seen a spate of mergers within the banking sector itself, as banks compete to join the so-called "bulge bracket".

Banks have felt the need to integrate their various services and expand geographically in order to win clients. But yesterday's ranking suggests that there is also room, in the UK market at least, for the smaller niche operators.

Aside from Lazards, Schroders came in third, and NM Rothschild, fifth.

The table also sees the arrival of a new breed of advisers.

Arthur Andersen, the accounting firm, rose from 20th to 14th place.

This year also saw the US banks more evident than ever before on the UK M&A scene, although mostly as advisers to US companies launching bids for UK targets.

Goldman Sachs, which advised PacifiCorp on its bid for Energy Group, came in fourth. Morgan Stanley, which co-advised Entergy Corporation on its bid for London Electricity, was ranked sixth.

Brendan Corr

Chow: wants to increase group revenues by more than 40 per cent over five years

GKN in $52m acquisition

By Charis Gresser

GKN, the defence and automotive group, yesterday unveiled plans to buy Armstrong Wheel & Rim Manufacturing of the US.

It is paying £31.3m ($52m) now for 95 per cent of Armstrong's equity and said yesterday it would buy the remaining 5 per cent within 12 months on the same price basis.

Armstrong makes wheels and hubs for agricultural and off-highway vehicles. It will be integrated within GKN's AgriTech Division. GKN's agritechnical and automotive products division contributed £2bn of sales, some 60 per cent of the group total in 1996. Operating profits were £188m.

Armstrong reported pre-tax profits of $3.7m in 1996. Net assets at the end of 1997 are estimated at $11m.

GKN's new chief executive, CK Chow, appointed last January, recently set himself the target of increasing group revenues by more than 40 per cent over five years.

The Hong Kong-born executive also highlighted the need to move GKN away from its traditional UK and European markets by expanding in North and South America and east Asia. Sales growth of wheels and axles for tractors and excavators should exceed 10 per cent a year, he added.

The company also plans to expand its components division for both the automotive and the aerospace industries.

Over the past year, GKN's shares have outperformed the market by 6.5 per cent. They closed up 25p yesterday at £12.75.

HSBC pays less in Mexico

By George Graham, Banking Editor

HSBC Holdings has completed its purchase of a 19.9 per cent stake in Grupo Financiero Serfin of Mexico, but will pay only $174m, 42 per cent less than the price of $300m indicated when the deal was first announced nine months ago.

Serfin ran into trouble last year with poor quality loans at Banca Serfin, its subsidiary and Mexico's third largest bank, pushing it deep into the red.

HSBC's agreement to take a stake in the group was conditional on Serfin strengthening its balance sheet by offloading bad loans on to the government and raising $1.3bn in capital through asset sales and new equity issues.

HSBC, whose principal operating units are Hongkong and Shanghai Banking Corp and Hang Seng Bank in Hong Kong, and Midland Bank in the UK, embarked last year on a $2bn expansion programme in Latin America.

Besides the stake in Serfin, HSBC took over Banco Bamerindus in Brazil for $1bn and paid $600m for Argentina's Roberts financial services group, as well as taking smaller stakes in Banco del Sur of Peru and Banco Santiago in Chile.

But sorting through Serfin's books and reshaping its balance sheet has taken much longer than planned.

Alfredo Lagos, Serfin's general director, said the completion of the group's recapitalisation would "allow us to leave behind a very difficult phase in Serfin's development".

Serfin has also finalised the sale of a 49 per cent stake in Seguros Serfin, its insurance subsidiary, to Lincoln National of the US. The sale will raise an initial $86m.

NEWS DIGEST

Willis completes French purchase

Willis Corroon, the insurance broker, has completed the purchase of a one-third stake in Gras Savoye, France's largest independent insurance broker and the world's ninth largest. The UK group is buying 31.72 per cent of the capital and 33.36 per cent of the votes.

Most of the consideration is being met by a cash payment of FFr453m ($76m). But Willis is also receiving some shares and a small cash payment from Gras Savoye as it is combining its own French operation into the group.

Willis intends to buy the rest of the company, which is held by French private and institutional investors. But the process could take up to 14 years because it is linked to put and call options. *Christopher Brown-Humes*

Fee for Luton airport bidders

Bidders for a lease to operate London Luton airport will have to pay a licence fee in addition to funding its £170m development plan. John Kingsford, marketing director, said the size of the fee was part of negotiations between Luton borough council, the airport's current owner, and would-be concessionaires.

Among those believed to be interested are TBI and National Express from the UK; Aer Rianta, the Irish airport group; and two airport operators from continental Europe. The concession is expected to run for 30 years, after which the assets will return to council ownership. In 1996-97, the airport handled 2.6m passengers. The capital injection is expected to fund expansion that will enable it to handle more than 8m a year. *Charis Gresser*

Reuters buys stake in Marvin

Reuters, the media and information group, has bought a controlling interest in Marvin, a small French software development group, which is a leading supplier of software for use with Reuters' 3000 series of financial products. The price was not disclosed but is thought to be less than £10m for the 67 per cent stake. The UK group has an option to buy the remaining shares in 2001.

Vote 'soon' on Brazil board

Shareholders in Brazilian Smaller Companies Investment Trust will soon get the opportunity to vote on whether they want to back or sack the board.

The trust's board announced yesterday that it would be holding an extraordinary meeting "as soon as reasonably practicable".

Readicut carpets disposal

Readicut International has completed the disposal of European Carpets for £30m cash to Interface Group of the US. Although £10m of the total consideration was to have been deferred to December 1998, Interface has paid £8.75m of it early.

Brunner Mond buy cleared

Brunner Mond's proposed purchase of the soda ash business of Akzo Nobel, the Dutch chemicals and textiles group, will not be referred to the Monopolies and Mergers Commission.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Radiant Metal	6 mths to Aug 31	0.549	(0.468)	0.038L	(0.014)	2.78L	(1.03)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Enterprise VCT	Yr to Oct 31	94.1	(-)	0.538	(-)	2.92	(-)	2.16	Jan 29	-	2.16	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period.

Credito Italiano

A joint stock company
Registered Office: Genoa (Italy) Via Dante No. 1 - Head Office: Milan (Italy) Piazza Cordusio
Capital: Lit. 1,439,955,693,500 fully paid up
Registered in the Genoa Courts, in the Companies Register under No. 22 and in the Banks Register and belonging to the Credito Italiano Banking Group, registered in the Banking Groups Register: Code No. 2008.1

INCREASE IN SHARE CAPITAL FOLLOWING EXERCISE OF WARRANTS

Credito Italiano lets it be known that as a result of the exercise of the "Credito Italiano Ordinary Share Warrants 1994/97", as from 31 December 1997 the share capital amounts to Lire 1,439,955,693,500 split into 2,879,911,387 shares of par value Lire 500 each, of which 2,858,204,835 ordinary shares and 21,706,552 savings shares.

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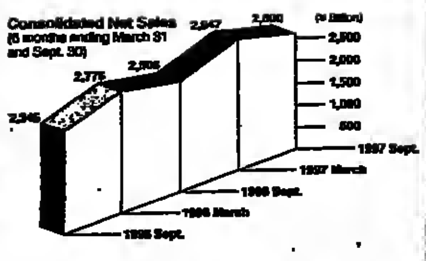
Please contact
Melanie Miles on
Tel: +44 0171 873 3349
Fax: +44 0171 873 3064

CONSOLIDATED SEMI-ANNUAL REPORT

Statement of Income	(for the period April 1, 1997 to September 30, 1997) in Millions of Yen
Net sales	2,600,848
Cost of sales	1,874,852
Income before income taxes and minority interests	8,741
Income taxes	5,538
Net income	9,547
Net income per share	2.97 (in Yen)



Balance Sheet (September 30, 1997) in Millions of Yen

Assets		Liabilities and Shareholders' Equity	
Cash and cash equivalents	636,279	Short-term borrowings and current portion of long-term debt	1,144,107
Notes and accounts receivable, trade	1,218,421	Notes and accounts payable, trade	1,035,551
Inventories	1,153,069	Other current liabilities	1,006,620
Other current assets	384,427	Long-term liabilities	1,273,914
Property, plant and equipment	1,415,408	Minority interests	67,418
Other assets	962,177	Shareholders' equity	1,240,191
Total assets	5,767,801	Total liabilities and shareholders' equity	5,767,801

In Touch with Tomorrow
TOSHIBA

DIVIDEND NOTICE
TO THE HOLDERS OF
EUROPEAN DEPOSITARY RECEIPTS FOR
COMMON STOCK OF TOSHIBA CORPORATION
(FORMERLY TOKYO SHIBAURA ELECTRIC COMPANY)
DESIGNATED COUPON NO. 108
(ACTION REQUIRED ON OR PRIOR TO APRIL 30, 1998)**

The Chase Manhattan Bank (Formerly known as Chemical Bank), as Depositary (The "Depositary") under the Deposit Agreement dated as of February 15th 1970 among Tokyo Shibaura Electric Company Limited (the "Company"), the Depositary and the holders of European Depositary Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE of a dividend of 5 Yen per share of Common Stock.*

The Dividend on the shares of Common Stock on record of Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese taxes, has been received by the Custodian as agent for the Depositary, and, pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 130.29995 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan is a party to international agreements with Australia, Bangladesh, Belgium, Bulgaria, Canada, CIS, Czechoslovakia, Denmark, Finland, France, The Federal Republic of Germany, Holland, India, Indonesia, Italy, Luxembourg, Malaya, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organised thereunder meeting certain conditions relating to the carrying on of trade or business in Japan. Persons not so entitled to a 15% tax withholding will be paid a dividend on which a 20% tax withholding rate has been applied.**

To determine entitlement to the lesser tax withholding rate of 15% it is necessary that the surrender of Coupon No. 108 be accompanied by a properly completed and signed certificate (copies of the form which are obtainable at the office of the Depositary in London or any Depositary's Agent) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 108. Such certificates may be forwarded by the Depositary to the Company upon its request.

Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Depositary's Agent listed below upon surrender of Coupon No. 108.

DEPOSITARY'S AGENTS

Name	Address
Chase Manhattan Bank AG	Frankfurt, Germany
The Bank of Tokyo Limited	London, England
The Bank of Tokyo Limited	Paris, France
The Bank of Tokyo Limited	Brussels, Belgium
The Bank of Tokyo Limited	Frankfurt, Germany
Mees Pierson	Amsterdam, The Netherlands
Banca Nazionale del Lavoro	Rome, Italy
Banca Nazionale del Lavoro	Milan, Italy
Kredietbank S. A. Luxembourgeoise	Luxembourg

The following table sets forth the amounts payable upon presentation of Coupon No. 108 from the various denominations of Receipts.

Coupon No. 108 Detached from Receipts in the Denomination of:	Dividend Payable (less 15% Japanese withholding tax)	Dividend Payable (less 20% Japanese withholding tax)
1 Depositary Share	$1.63	$1.53
10 Depositary Shares	$16.31	$15.35
20 Depositary Shares	$32.62	$30.70
50 Depositary Shares	$81.54	$76.75
100 Depositary Shares	$163.09	$153.49

Payment in United States Dollars in respect of Coupon No. 108 will be made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with a bank in New York City.

Date: December 31, 1997

The Chase Manhattan Bank, as Depositary,
125 London Wall, London EC2Y 5AJ

* September 30, 1997 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of Common Stock not entitled to share in such dividend will be without Coupon No. 108 attached.

** Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its discretion not unduly burdensome and upon payment of all expenses incurred in connection therewith, take such action as it deem appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company, shortly after 30 April 1998 the excess received by the Custodian over 80% of the dividend payable and allocable to unsurrendered Coupon No. 108.

As a result, persons surrendering Coupon No. 108 after such date will be entitled to receive from the Depositary or any Depositary's Agent a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realise such entitlement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph, be made through the Depositary.

CHASE

The Chase Manhattan Bank, As Depositary

IRISH PERMANENT BUILDING SOCIETY
8½% Bonds 2004

Notice is hereby given that the semi-annual dividend on the Irish Permanent Building Society's 8½% Bonds 2004 is payable on 15th January 1998. The record date for this purpose (as defined in Article 4 of the Terms and Conditions of the Bonds) is 1st January 1998. The Bonds will go ex-dividend on 2 January 1998 and payments will be posted on 14th January 1998. Payments will be effected through Bank of Ireland, Registration Department, 4th Floor, Hume House, Ballsbridge, Dublin 4, who are Registrar for the issue.

Flan O'Sullivan
Secretary

DEN DANSKE BANK
US$100,000,000
Subordinated floating rate notes due 2000
(Issued by and in the name of Copenhagen Handelsbank A/S)

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period from 31 December 1997 to 30 June 1998 the notes will carry an interest rate of 6% per annum. The interest payable on the relevant interest payment date, 30 June 1998 will amount to US$301.67 per US$10,000 note and US$7,541.67 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

NOTICE TO BENEFICIARIES OF GUARANTEES ISSUED BY CREDIT SUISSE FIRST BOSTON, INC. AND CREDIT SUISSE GROUP

The guarantees given by Credit Suisse First Boston, Inc. (formerly named CS First Boston, Inc.) and Credit Suisse Group (formerly named CS Holding) of the obligations of Credit Suisse First Boston (Hong Kong) Securities Limited (formerly named CS First Boston (Hong Kong) Securities Limited) on 9 December, 1994 and 17 December, 1996, respectively, will cease to have effect in relation to obligations of Credit Suisse First Boston (Hong Kong) Securities Limited arising after 2 February, 1998. The guarantees of Credit Suisse First Boston, Inc. and Credit Suisse Group in relation to obligations of Credit Suisse First Boston (Hong Kong) Securities Limited arising, or incurred, on or before that date will remain unaffected.

31 December, 1997

Credit Suisse First Boston, Inc.
Credit Suisse Group

CREDIT SUISSE GROUP

CREDIT SUISSE FIRST BOSTON

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
(Incorporated in the Republic of South Africa)
(Registration number 01/00251/06)

ANNUAL GENERAL MEETING

The annual general meeting of the members of The Randfontein Estates Gold Mining Company, Witwatersrand, Limited will be held in the Boardroom, 121 Consolidated Building, Fox and Harrison Streets, Johannesburg on Friday, 23 January 1998 at 10h50.

Holders of share warrants to bearer may obtain copies of the annual report from the London Secretaries, JCI (London) Limited, 6 St James's Place, London SW1A 1NP.

JCI (London) Limited
London Secretaries
31 December 1997

INTERNATIONAL CAPITAL MARKETS

Treasuries hit by surge in confidence

GOVERNMENT BONDS

By John Labate in New York and Vincent Boland in London

Reports of a surge in consumer confidance in December sent prices of US TREASURIES sharply lower in early trading yesterday, dragging European bond markets down to close with heavy losses, exaggerated by thin holiday trading volumes.

The report, which showed that US consumers have more confidence in the ecoomy than at any time for 30 years, caught investors and analysts by surprise, with most forecasts having predicted a slight fall in the December figure from the Conference Board.

The US long bond yield, which has remained below the 6 per cent level for the past few weeks, headed higher as morning prices sank. By midday the 30-year Treasury hond had fallen $\frac{12}{16}$ to 102$\frac{1}{16}$, sending tha yield up tn 5.975 per cent.

The 10-year note was down $\frac{11}{32}$ at 102$\frac{5}{16}$, yielding 5.807 per cent, while the two-year note fell $\frac{1}{16}$ to 99$\frac{13}{16}$, yielding 5.736 per ceot. The Federal Funds rate was at 5.56 per cent.

The Conferenca Board report showed the consumer confidence index for December shot up more than 6 points from November, to 134.5.

"While hoth components of the index posted sharp gains this month, the significant pick-up in consumers' short-term outlook contributed most to the overall jump," the board said.

The so-called "Present situation" index reached 161.7 in December, its highest reading since 1969.

The strength in consumer sentiment, along with a continued easing of concern about South Korean markets, sent a wave of selling through Treasuries.

"People were caught napping a bit," said Tom O'Connell, senior government trader at First Chicago Capital Markets. "There wasn't much news today, but consumer confidence was up so much that people couldn't ignore it."

Today the market faces new figures on mid-western industrial activity, followed by the national purchasing managers' report to be released on Friday.

The Conference Board report knocked the stuffing ont of European markets, which were led downward by sharp falls in Germany and the UK. Trading volume in the futures markets was lighter than normal hut higher than Monday's.

Phyllis Reed, international bond strategist at Barclays Capital Group, said year-end factors, high bond prices and the recovery on equity markets following the Korean agreement meant honds "were vulnerable to a technical setback".

The setback was seen as no more than temporary, with the general back-drop remaining favourahle. But some analysts said the Asian crisis would continue to boost bonds, especially as data from Japan suggested a severe economic slowdown.

"There's been a littla bit of weakness [in bonds] on the back of the Korean agreement hut I don't believe anyone feels this is the end of the story," said Stephen Hannah at IBJ International. "A weak Japan doesn't help South Korea and the others, and vice versa."

GERMAN BUNDS ended their last trading day of the year nursing some of the biggest losses for some time.

The March future settled 0.88 lower in London trading at 104.00 in sharply higher turnover of 75,000 contracts. The fall was less dramatic in Frankfurt, which closed early for the New Year holiday and will reopen on Friday.

Comments from Hans Tietmeyer, Bundesbank president, suggesting a less hawkish tone on German interest rates, did not register, with traders saying the view had already heen priced into bunds.

UK GILTS fell more than one full point, but the movement was exaggerated hy light trading volume, with just 22,500 contracts traded on Liffe. Tha March gilt future settled 1$\frac{3}{16}$ lower at 120$\frac{13}{16}$, although it had been lower earlier. But gilts still managed to outperform bunds, with the 10-year spread narrowing to 101 basis points.

Eddie George, Bank of England governor, said earlier that the UK economy was set to slow in 1998, providing a positive background for bonds. "Gilts will do well [in 1998] but tha threat of another interest rate rise has to be removed," said Mr Hannah, who added that the 10-year gilt/bund spread could contract by up to 50 basis points next year.

Other markets also posted big losses but managed to keep them to less than a full percentage point and outperforming bunds.

FRENCH BONDS fell victim to profit-taking after the recent strong rally, with the March future settling in Paris 0.72 lower at 100.78 on turnover of 68,000 contracts.

ITALIAN BTPs were also lower, with the March BTP future settling in London at 115.43, down 0.92. The spread over 10-year hunds contracted to 30 basis points.

CAPITAL MARKETS NEWS DIGEST

Two gilt auctions in next quarter

The Bank of England is planning to hold two auctions of gilt-edged stock in the fourth quarter of the 1997-98 financial year, which ends on March 31. A new long gilt, maturing in December 2028, will be auctioned on January 28. On March 25, a new tranche of the existing 7.25 per cent gilt maturing in 2007 will be launched.

The amounts to be anctioned and the terms of the auctions will be announced on January 20 for the long gilt auction and on March 17 for the 2007 stock.

Both issues will be strippable. The gilt stripping facility, introduced earlier this month, allows traders to separate the individual components of a bond (coupon payments and principal repayment) and trade them as distinct securities.

All strippable gilts mature on June 7 or December 7 and pay their half-yearly coupons on these dates. This makes all coupon strips interchangeahle, regardless of tha gilt issue they were stripped from initially. To guarantee liquidity, however, the new 2028 gilts will only become strippable when the nominal amount issued reaches £5bn.

Samer Iskandar

■ OLDEST EXCHANGE TO MERGE

Antwerp bourse closes

The Belgian bourse of Antwerp, the world's oldest financial exchange, closed yesterday, ending five centuries of trade. On Friday the Antwerp exchange, where the word "bourse" originated, will merge with the Brussels bourse. "Antwerp has had its day, we could no longer have two bourses in Belgium," said Marc Corluy, its chairman.

With a last bout of trade and a glass of champagne, Antwerp's brokers bid farewell to the bourse that served as a model for the Amsterdam and London exchanges which eventually outgrew it hy far.

Tha Antwerp exchange was built in 1531 and was the first public huilding used exclusively for financial and commodity trading. Letters of exchange and other financial contracts had been traded in other European cities before 1531, on bridges, in taverns and on the stairs of churches. But the Antwerp exchange, a large square with a courtyard surrounded by covered walkways, was the first building designed solely for tha purpose of trade.

It was called the "bourse" after an inn run by the family Van der Beurze in the Belgian town of Bruges, where 15th century merchants met to conduct financial affairs.

In the late 16th century, the London Stock Exchange building was patterned on the Antwerp original, as was the Amsterdam bourse, which was huilt in 1611. Unlike the initial London and Amsterdam exchange buildings, which have long since disappeared, Antwerp'a original bourse still stands, although share trading has moved to modern offices nearby.

Bank Anhyp was the sola share of note still listed on the Antwerp bourse. Trada in Anhyp stock will move to the Brussels bourse on Friday. *Reuters, Brussels*

German exchanges toast a record year

By Samer Iskandar in London and Andrew Fisher in Frankfurt

Deutsche Terminbörse, the German derivatives exchange, traded a record 112m contracts in 1997, up 44.9 per cent from 1996, according tn preliminary data released yesterday.

Futures contracts on German 10-year bonds saw the sharpest rise, with volumes almost doubling to 31.3m contracts, from 16.5m.

The DTB said it expected its market share in hund futures trading to reach 49 per cent this month, almost matching the amounts traded on the London International Financial Futures and Options Exchange.

Futures on five-year bonds (Bohl) and two-year notes (Schatz) were also actively traded. Activity in the Bohl futures was up 33 per cent at 24.3m contracts.

Options on the DAX stock market index remained the most actively traded product, with 31.4m lots changing hands, up 20 per cent.

In the cash market, turnover in German shares reached a high of DM3,717bn, up 52.3 per cent, on the back of a stock market rally that saw the DAX index rise 47.1 per cent to 4,249.69.

The rise in the DAX, which reached a peak of 4,438.93 points in July, followed a 29 per cent increase in 1996. The surge in share prices has been fuelled by higher exports as a result of the weaker D-Mark, low interest rates and continued corporate restructuring.

Overall trading volumes on the German exchanges, however, fell slightly. Total turnover was DM8,970hn, down from DM8,998.71 last year, due to a slowdown in trading of cash bonds.

Several European markets have seen a decline in activity in recent years as bond yields converged in the run-up to European economic and monetary union. French government bonds, for example, have tracked German bunds so closely in the past two years that opportunities to profit from switching between the two markets have dried up.

A Frankfurt bourse trader celebrates a year in which the DAX index has climbed 47% Reuters

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 30	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.5559	5.32	-0.03	-0.06	+0.15	-0.91
	10/07	10.000	129.5200	5.93	+0.05	-0.03	-0.25	-1.44
Austria	09/99	7.000	104.2400	4.36	+0.02	-	-0.10	+0.58
	07/07	5.625	101.3500	5.43	+0.10	-0.13	-0.10	-0.38
Belgium	01/00	4.000	99.1400	4.44	-0.19	-0.17	-0.20	+1.24
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.39
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+1.26
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.58
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.51
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.85
Finland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.32
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.83
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.82
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.08
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.36
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.80
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.68
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.23
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.40
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.70
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.01
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.15
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.52
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.56
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.98
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.04
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.12
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.86
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.86
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.84
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.86
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.37
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.56
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.25
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.04
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.76
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.09
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.21
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.13
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.24
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.58
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.77
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.12
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.54
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.15
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.91
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.18
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.30
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.04
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.28
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.49
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.51
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.62
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.58

[illegible] Source: Interactive Data/FT Information [illegible] withholding [illegible]

10 YEAR BENCHMARK SPREADS

Dec 30	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
[illegible]	[illegible]	[illegible]	[illegible]	New Zealand	[illegible]	[illegible]	+1.18
[illegible]	[illegible]	[illegible]	[illegible]	Norway	[illegible]	[illegible]	-0.32
[illegible]	[illegible]	[illegible]	[illegible]	Portugal	[illegible]	[illegible]	-0.17
[illegible]	[illegible]	[illegible]	[illegible]	Spain	[illegible]	[illegible]	-0.19
[illegible]	[illegible]	[illegible]	[illegible]	Sweden	[illegible]	[illegible]	+0.17
[illegible]	[illegible]	[illegible]	[illegible]	Switzerland	[illegible]	[illegible]	-2.49
[illegible]	[illegible]	[illegible]	[illegible]	UK	[illegible]	[illegible]	-0.52
[illegible]	[illegible]	[illegible]	[illegible]	US	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	ECU	[illegible]	[illegible]	-0.34

Source: Interactive Data/FT Information [illegible]

EMERGING MARKET BONDS

Dec 30	Red date	Coupon	S&P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+2.61
Poland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+1.19
Russia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+5.56
■ LATIN AMERICA								
Argentina	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+4.30
Brazil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+4.88
Mexico	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+3.68
■ ASIA								
China	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+1.28
Philippines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+3.92
Thailand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+4.88
■ AFRICA/MIDDLE EAST								
Lebanon	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+1.91
South Africa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+2.10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+4.03
■ BRADY BONDS								
Argentina	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+2.85
Brazil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+4.12
Mexico	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.97
Venezuela	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+2.18

[illegible] Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	101.48	100.78	-0.72	101.48	100.78	69,000	130,637
Jun	100.86	100.10	-0.80	100.86	100.28	1,002	125
Sep	100.62	99.86	-0.80	100.62	100.62	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
97	3.78	3.84	3.34	0.01	0.06	0.28
98	2.80	2.92	2.56	0.03	0.15	0.49
99	1.86	2.05	1.89	0.08	0.28	0.81
100	1.03	1.27	1.33	0.25	0.50	1.23
101	0.42	0.69	0.89	0.63	0.91	1.78

Est. vol. total, Calls 7,872 Puts 11,815 Previous day's open int., Calls 52,277 Puts 65,828.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.86	104.00	-0.88	104.89	103.94	76002	235393
Jun	103.80	103.41	-0.88	103.80	103.80	78	1144

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10400	0.50	0.80	0.72	1.05	0.50	0.80	1.31	1.64
10450	0.29	0.56	0.52	0.83	0.79	1.08	1.81	1.92
10500	0.17	0.38	0.36	0.65	1.17	1.36	1.95	2.24

Est. vol. total, Calls 13452 Puts 7829. Previous day's open int., Calls 119809 Puts 128328

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.39	104.11	-0.22	104.44	104.10	25,850	206,314

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.33	103.85	-0.44	104.34	103.95	1,712	30,869
Jun		103.37	-0.44	-	-	-	-

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.25	115.43	-0.92	116.27	115.35	22969	118576
Jun	-	114.83	-0.92	-	-	0	146

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11500	1.06	1.30	0.63	1.47
11550	0.78	1.09	0.85	1.75
11600	0.53	0.89	1.10	2.05

Est. vol. total, Calls 718 Puts 7355. Previous day's open int., Calls 40739 Puts 40631

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.25	105.38	-0.94	106.25	105.25	55,334	89,902

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	121-29	120-26	-1-06	121-29	120-22	23526	179311
Jun	-	105-04	-1-06	-	-	0	1098

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
120	1-26	1-46	0	0	0-38	0-58	14-56	14-56
121	0-50	1-14	0	0	0-62	1-26	15-56	15-56
122	0-25	0-48	0	0	1-37	1-60	16-56	16-56

Est. vol. total, Calls 1811 Puts 130. Previous day's open int., Calls 44053 Puts 11735

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	100.68	100.02	-0.78	100.70	100.02	145	5,996

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-16	120-08	-0-09	120-17	120-04	81,413	693,104
Jun	120-03	119-31	-	120-04	119-27	321	31,414
Sep	-	120-01	-	-	-	806	5,146

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	129.30	-		129.30	129.30	180	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Dec 29	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	104.1631	6.17	-	-0.12	+0.45
NY Tel	08/25	7.00	A+	99.2728	7.06	-	-0.12	+1.13
CWE	05/08	8.00	BBB	109.3755	6.72	-	-0.12	+0.97
■ FINANCIALS								
GECC	05/07	8.75	AAA	117.0052	6.31	-	-0.13	+0.56
Banc One	06/02	7.25	A+	103.9752	6.23	-	-0.13	+0.51
US West	01/07	7.30	BBB+	103.6896	6.74	+0.01	-0.18	+0.99
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A-	99.7881	6.41	+0.03	-0.17	+0.72
Wal Mart	05/02	6.75	AA	102.3097	6.13	-	-0.13	+0.41
Dayton Hud	06/21	9.70	BBB+	130.5637	7.02	+0.02	-0.13	+1.10
■ AGENCIES								
FHLMC	04/07	7.14	N/A	107.5229	6.06	-	-0.10	+0.31
SLMA	03/00	7.50	N/A	103.3390	5.84	-0.03	-0.09	+0.13
FNMA	02/18	8.95	N/A	129.6443	6.32	+0.01	-0.13	+0.40
FFCB	06/06	8.95	N/A	118.9304	6.04	-	-0.13	+0.29
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	99.3750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	102.2500	0.00	-	-	-
Pacalta	06/04	10.75	B-	97.7500	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.74
Broker loan rate	7¼	Two month	-	Three year	5.77
Fed funds	5⅝	Three month	5.41	Five year	5.79
Fed funds at intervention	-	Six month	5.49	10-year	5.82
		One year	5.55	30-year	5.88

INTERNATIONAL BONDS

Dec 30	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	102.6693	5.37	+0.06	-0.14	-
Spain	01/07	5.750	AA	101.8500	5.48	+0.06	-0.13	-0.11
Philip Morris	03/04	5.375	A	99.5920	5.45	-0.06	-0.17	-0.36
Finland FRN	09/02	3.820	AA	100.7218	4.37	+0.10	-0.18	-0.45
■ EURO FFR								
Austria	01/04	6.500	AAA	102.2000	5.07	+0.09	+0.13	-0.02
Abbey Nat	02/04	8.000	AA	104.1300	5.19	-0.10	-0.14	-0.14
Cred Foncier	02/04	9.125	A	118.5000	5.49	-0.10	-0.14	-0.44
3CIF FRN	12/01	3.750	AA-	99.8367	4.51	-0.09	-0.35	-0.15
■ EURO LIRA								
EIB	02/07	7.000	AAA	109.7500	5.60	+0.11	+0.18	-
Abbey Nat	02/02	8.600	AA	106.4000	5.31	-0.09	-0.20	+0.18
Walt Disney	06/00	8.825	A	107.4400	5.31	-0.09	+0.15	-0.46
EIB FRN	03/01	5.825	AAA	100.2692	4.75	+0.11	-0.18	-0.25
■ EURO £								
EIB	12/07	7.625	AAA	106.5319	6.70	+0.13	-0.12	+0.37
Dresdner Bk	12/07	7.750	AA-	103.8340	7.18	-0.13	-0.07	-0.85
British Gas	03/00	7.625	A+	100.4398	7.36	-0.10	-0.18	+0.63
Abbey Nat FRN	02/02	7.830	AA	100.0170	6.55	+0.11	-0.22	-0.02
■ EURO $								
EIB	04/07	7.250	AAA	107.5775	6.15	+0.06	-0.12	+0.34
ABN Amro	06/07	7.125	AA-	104.2699	6.51	+0.10	-0.08	-0.70
Quebec	01/07	7.000	A+	103.3117	6.51	+0.04	-0.09	+0.70
Citicorp FRN	02/04	5.938	A+	99.1182	6.11	-0.03	-0.08	-0.32
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	118.1665	6.07	-0.02	+0.19	+0.21
Toronto	05/04	8.500	AA+	113.1358	5.96	-0.02	+0.16	+0.10
Bell Canada	07/99	10.625	A+	106.7662	5.84	-0.02	-0.70	+0.23
Deutsche 8 FRN	08/02	5.875	AAA	101.2011	5.58	-	+0.08	-0.18
■ EURO YEN								
World Bank	03/02	5.250	AAA	116.8700	1.14	+0.01	-0.09	+0.01
Spain	03/02	5.750	AA	118.8500	1.15	-	-0.01	+0.02
Cred Foncier	08/02	4.750	A	113.5753	1.66	-	+0.08	-0.53
Italy FRN	07/99	0.594	AA	100.3334	0.43	+0.02	-0.18	-0.18

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Tue Dec 30	Day's change %	Mon Dec 29	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.97	-0.19	120.20	2.38	10.39
2 5-15 years (21)	158.68	-0.78	159.94	2.38	11.88
3 Over 15 years (4)	191.62	-1.14	193.82	1.66	14.12
4 Irredeemables (4)	234.68	-1.71	238.77	2.14	14.74
5 All stocks (48)	151.53	-0.66	152.53	2.36	11.68
Index-linked					
6 Up to 5 years (2)	212.93	-0.03	213.01	1.52	6.09
7 Over 5 years (10)	218.18	-0.18	218.52	1.68	5.76
8 All stocks (12)	216.53	+0.15	218.86	1.64	5.76

UK Indices

	Low coupon yield Dec 30	Low Dec 29	Low Yr. ago	Medium coupon yield Dec 30	Medium Dec 29	Medium Yr. ago	High coupon yield Dec 30	High Dec 29	High Yr. ago
5 yrs	6.50	6.38	7.25	6.59	6.47	7.31	6.63	6.52	7.38
15 yrs	6.33	6.20	7.64	6.33	6.21	7.62	6.43	6.31	7.56
20 yrs	6.33	6.20	7.70	6.31	6.20	7.65	6.42	6.31	7.56
Irred.†	6.42	6.31	7.74						

	Inflation 5% Dec 30	Dec 29	Yr. ago	Inflation 10% Dec 30	Dec 29	Yr. ago
Up to 5 yrs	3.03	3.01	3.17	2.29	2.27	2.49
Over 5 yrs	3.01	3.00	3.53	2.81	2.79	3.33

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Dec 30	Dec 29	Dec 24	Dec 23	Dec 22	Yr ago	High*	Low*
Govt. Secs. (UK)	101.29	102.15	102.13	102.03	101.70	94.54	101.83	93.31
Fixed Interest	135.56	135.15	134.92	134.61	134.44	116.90	135.56	115.32

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Calmer trading sends sterling lower

MARKETS REPORT

By Richard Adams

Calmer trading conditions in Asia reduced the need for "safe havens" on the foreign exchange markets, clipping nearly two cents off sterling against the dollar yesterday.

The pound fell off its recent highs against the dollar and the D-Mark, on the back of profit-taking and comments by Eddie George, the Bank of England governor, that hinted at a reduction in the chances of further operational rate rises in tha UK.

Sterling opened et $1.6665 and broke through support levels at $1.6600 in early trading, to close at $1.6566. On Monday it had closed at $1.6746.

The yen initially strengthened in the quiet trading in Europe, only to see its gains evaporate in New York dealing rooms as end of year book-squaring caused a drift to the US currency.

The yen closed in London at Y129.74, but weakened above the Y130 level in later trading. Against the pound it had strengthened to Y214.92, after closing in London on Monday at Y217.57.

The technical movee prompted falls in a number of Asian currencies – particularly the Indonesian rupiah, which fell by over 4 per cent against the dollar. The rupiah rested at Rp5570, a fall of Rp220 on its last trading day of the year.

The South Korean won's also suffered, dropping 200 won to end at 1635 against the dollar yesterday.

■ The Italian lira strengthened yesterday against its European Union partner currencies, after explicit comments by Karel Van Miert, the EU commissioner, about membership of tbe single currency.

Mr Van Miert said: "I think it is now clear that there will be 11 countries...I must admit that also countries such as Italy have made a tremendous effort, which must he continued," he said.

The lira closed in Europe at L981.9 against the D-Mark. Its previous close was L982.9.

■ Sterling'e trade-weighted index is expected to fall by about 9 per cent from its current level hy the fourth quarter of 1998, according to a survey carried out hy the UK's Treasury.

The survey of 47 institutions, inclnding 31 in the City of London, showed the Bank of England's trade-weighted index was forecast to fall to just below 96.0 by the final quarter of next year. The trade-weighted level was 104.8 et the close of trading in London yesterday.

The index forecasts, all of which were made within the past three months, ranged between 91 and 101.3. Tha average forecast for City institutions was 95.6, while those for the other independent forecasters was 96.1.

The Bank of England, in its quarterly Inflation Report published last November, said it expected the trade-weighted index to drop to around 98 in two years.

In July, aterling hit DM3.0878, its highest level against the D-Mark since September 1989. On July 23, when the sterling/D-Mark rate reached its peak, the trade-weighted index rose to 106.7, its highest level since February 1989.

Yesterday, sterling closed at $1.6566 and DM2.9677. Its index level was 0.8 down from its previous closing level of 105.6.

■ While the South Korean won bas ettracted headlines, thanks to its epectacular falls, the Indonesian rupiah has suffered equally as dramatic ups and downs.

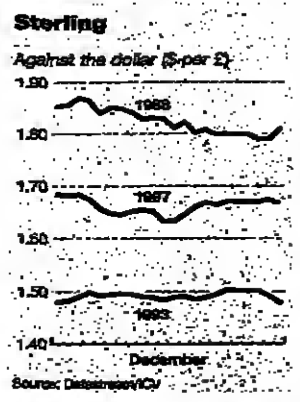
Yesterdey, the rupiah weakened further, to a mid-point of Rp5570 at the end of trading on the London market. The fall was desplte bursts of intervention by the central bank at the Rp5350 and Rp5450 levels. But reports of "persistent" selling by corporate clients forced the currency downwards in very low volumes.

Trading in Jakarta will be closed today and tomorrow, hnt analysts are looking towards the 1998-99 hudget to be published on January 6 for direction. Economists are expecting sharp cuts in government spending, to match the falls in revenue caused by declining economic growth in the region.

The rupiah'e fall in the course of 1997 has been rapid. It opened the year at Rp2363 against the dollar, and has snhsequently lost nearly 60 per cent. The currency reached a record low of Rp6250 on Christmas Eve.

Sterling

Against the dollar ($ per £)



Source: Datastream/ICV

■ **Pound in New York**

Dec 30	—Latest—	– Prev. close –
£ spot	1.6560	1.6720
1 mth	1.6538	1.6700
3 mth	1.6489	1.6650
1 yr	1.6306	1.6470

■ **OTHER CURRENCIES**

Dec 30	£	$
Czech Rp	57.2548 - 57.3587	34.5700 - 34.6160
Hungary	337.550 - 337.798	203.819 - 203.860
Iran	5026.30 - 5022.30	3000.00 - 3000.00
Kuwait	0.5048 - 0.5051	0.3047 - 0.3048
Poland	5.8133 - 5.8244	3.5100 - 3.5150
Russia	9942.17 - 9955.36	6003.00 - 6008.00
U.A.E.	6.0822 - 6.0860	3.6724 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Dec 30		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8810	-0.1342	723 - 898	21.0275	20.8368	20.8158	3.7	20.6801	3.7	20.202	3.3	102.5
Belgium	(BFr)	61.1948	-0.4339	469 - 427	61.8630	61.1469	60.9965	5.9	60.8094	3.8	59.1238	5.4	101.9
Denmark	(DKr)	11.3047	-0.0767	003 - 090	11.3981	11.2814	11.269	3.8	11.2015	3.7	10.9639	3.1	104.4
Finland	(FM)	8.9891	-0.0571	847 - 934	9.0530	8.9690	8.8579	4.2	8.9004	3.9	8.692	3.3	80.7
France	(FFr)	9.9282	-0.0659	251 - 512	10.0074	9.9131	9.8958	3.9	9.8343	3.8	9.5861	3.4	105.5
Germany	(DM)	2.9677	-0.0192	668 - 686	2.9937	2.9603	2.9578	4.0	2.9393	5.8	2.8687	3.4	103.1
Greece	(Dr)	468.420	-2.771	142 - 698	472.080	467.544	471.082	-6.8	478.882	-7.2	497.472	-6.2	65.2
Ireland	(I£)	1.1584	+0.0002	573 - 595	1.1598	1.1555	1.1575	0.9	1.154	1.5	1.1306	2.4	95.4
Italy	(L)	2914.07	-21.76	276 - 538	2940.92	2909.33	2910.75	1.4	2902.51	1.6	2846.04	2.3	75.7
Luxembourg	(LFr)	61.1948	-0.4339	469 - 427	61.6630	61.1469	60.9965	3.9	60.8094	3.8	59.1238	3.4	101.9
Netherlands	(Fl)	3.3448	-0.0207	434 - 461	3.3714	3.3378	3.3333	4.1	3.3121	3.9	3.2288	3.5	101.3
Norway	(NKr)	12.1884	-0.0602	847 - 920	12.2843	12.1505	12.148	4.0	12.0741	3.7	11.6152	5.1	96.1
Portugal	(Es)	303.555	-1.976	398 - 712	306.068	302.958	302.948	2.4	301.628	2.5	295.113	2.8	91.5
Spain	(Pta)	251.132	-1.816	030 - 234	253.380	250.830	250.582	2.6	249.442	2.7	243.965	2.9	76.7
Sweden	(SKr)	13.0907	-0.0192	817 - 996	13.1749	13.0505	13.0580	2.9	13.0014	2.7	12.802	2.2	84.7
Switzerland	(SFr)	2.4089	-0.9116	075 - 103	2.4239	2.4050	2.3983	6.3	2.3729	6.0	2.2782	5.4	107.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.8
Ecu	-	1.5006	-0.0091	998 - 014	1.5119	1.4989	1.4985	3.2	1.4888	3.2	1.4574	2.9	-
SDR†	-	1.237132	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6563	-0.018	559 - 567	1.6722	1.6532	-	-	-	-	-	-	-
Brazil	(R$)	1.8489	-0.0194	483 - 494	1.8640	1.8456	-	-	-	-	-	-	-
Canada	(C$)	2.3816	-0.0272	898 - 828	2.4099	2.3798	2.3758	5.1	2.3656	2.7	2.3322	2.1	82.0
Mexico	(New Peso)	13.3580	-0.177	506 - 654	13.4686	15.3353	13.4978	-12.6	13.7657	-12.2	14.9294	-11.6	-
USA	($)	1.6566	-0.016	562 - 570	1.6725	1.6535	1.6542	1.6	1.6494	1.7	1.631	1.5	108.9
Pacific/Middle East/Africa													
Australia	(A$)	2.5394	-0.0175	378 - 410	2.5650	2.5290	2.5338	2.6	2.523	2.8	2.4804	2.3	85.0
Hong Kong	(HK$)	12.8370	-0.1403	331 - 409	12.9809	12.8130	12.8378	-0.1	12.8997	-2.0	13.3644	-4.1	-
India	(Rs)	65.1045	-0.5566	058 - 030	65.8570	65.0059	-	-	-	-	-	-	-
Israel	(Shk)	5.8482	-0.0643	416 - 548	5.8620	5.8500	-	-	-	-	-	-	-
Japan	(Y)	214.927	-2.645	842 - 012	217.410	214.150	213.647	7.1	211.132	7.1	200.507	6.7	119.2
Malaysia	(M$)	6.4492	-0.0654	393 - 590	6.5068	6.4247	6.433	3.0	6.4318	1.1	6.5494	-1.6	-
New Zealand	(NZ$)	2.8406	-0.0281	374 - 437	2.8681	2.8374	2.8433	-1.2	2.8484	-1.1	2.8845	-0.8	102.5
Philippines	(Peso)	66.5126	-0.7227	480 - 771	67.7935	66.2480	67.7383	-22.1	69.4933	-17.9	78.9965	-15.8	-
Saudi Arabia	(SR)	6.2130	-0.0679	112 - 147	6.2727	6.2016	6.2043	1.7	6.1865	1.6	6.1287	1.4	-
Singapore	(S$)	2.7773	-0.0143	741 - 804	2.8006	2.7721	2.7864	-4.0	2.7891	-1.7	2.8037	-1.0	-
South Africa	(R)	8.0552	-0.0884	516 - 588	8.1300	8.0443	8.1086	-8.0	8.2023	-7.3	8.5778	-8.5	-
South Korea	(Won)	2708.54	+313.9	961 - 748	2847.01	2341.50	-	-	-	-	-	-	-
Taiwan	(T$)	53.9837	-0.7715	342 - 331	54.6806	53.9342	53.9219	1.4	53.8017	1.3	53.3329	1.2	-
Thailand	(Bt)	78.0258	-0.0106	242 - 276	78.3160	78.5320	78.5719	-8.4	78.8847	-8.4	84.1599	-7.9	-

† Rates for Dec 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.6047	+0.0553	025 - 069	12.6330	12.5300	12.584	2.0	12.5442	1.9	12.3862	1.7	102.3
Belgium	(BFr)	36.9400	-0.138	200 - 600	37.0300	36.6030	36.875	2.1	36.747	2.1	36.25	1.9	101.9
Denmark	(DKr)	6.8240	+0.0275	230 - 250	6.8412	6.8085	6.8125	2.0	6.7912	1.9	6.716	1.6	103.7
Finland	(FM)	5.4262	+0.0242	249 - 275	5.4355	5.4054	5.4154	2.4	5.3982	2.2	5.3292	1.6	80.2
France	(FFr)	5.9931	+0.0251	927 - 935	6.0080	5.9795	5.9823	2.2	5.9625	2.0	5.8775	1.9	105.0
Germany	(DM)	1.7915	+0.0079	912 - 917	1.7955	1.7872	1.7882	2.2	1.7822	2.1	1.7577	1.9	102.8
Greece	(Dr)	282.760	+1.395	660 - 860	283.520	280.370	284.795	-8.6	289.13	-9.0	305.01	-7.9	65.1
Ireland	(I£)	1.4301	-0.0158	291 - 311	1.4427	1.4286	1.4291	0.8	1.4294	0.2	1.4426	-0.9	-
Italy	(L)	1759.07	+5.92	870 - 943	1762.90	1758.75	1759.67	-0.4	1759.77	-0.2	1748.19	0.7	75.5
Luxembourg	(LFr)	36.9400	+0.138	200 - 600	37.0300	36.6030	36.875	2.1	36.747	2.1	36.25	1.9	101.9
Netherlands	(Fl)	2.0191	+0.0083	167 - 194	2.0237	2.0135	2.0151	2.4	2.0081	2.2	1.9796	2.0	101.2
Norway	(NKr)	7.3575	+0.0432	570 - 579	7.3778	7.3272	7.344	2.2	7.3205	2.0	7.2442	1.5	97.4
Portugal	(Es)	183.240	+0.79	190 - 290	183.620	182.930	183.145	0.8	182.875	0.8	180.94	1.3	92.0
Spain	(Pta)	151.585	+0.545	570 - 620	152.000	151.000	151.488	0.8	151.235	0.9	149.58	1.3	76.4
Sweden	(SKr)	7.9021	+0.0734	986 - 056	7.9176	7.8376	7.8948	1.1	7.8826	1.0	7.8491	0.7	84.9
Switzerland	(SFr)	1.4541	+0.0086	536 - 546	1.4575	1.4458	1.4486	4.5	1.4386	4.3	1.3968	3.9	107.9
UK	(£)	1.6566	-0.016	562 - 570	1.6725	1.6535	1.6542	1.6	1.6494	1.7	1.631	1.5	105.5
Ecu	-	1.1040	-0.0053	036 - 043	1.1070	1.1003	1.1054	-1.5	1.1079	-1.4	1.1191	-1.4	-
SDR†	-	0.73793	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1151	+0.0004	160 - 161	1.1162	1.1156	-	-	-	-	-	-	-
Canada	(C$)	1.4378	-0.0007	375 - 380	1.4413	1.4375	1.4382	1.5	1.4343	1.0	1.43	0.5	82.0
Mexico	(New Peso)	8.0635	-0.019	619 - 680	8.0660	8.0590	8.16	-14.4	8.346	-14.0	9.1535	-13.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.7
Pacific/Middle East/Africa													
Australia	(A$)	1.5329	+0.0081	323 - 335	1.5335	1.5277	1.5321	0.6	1.5295	0.9	1.5188	0.9	85.7
Hong Kong	(HK$)	7.7490	-0.0005	485 - 495	7.7496	7.7485	7.761	-1.9	7.821	-3.7	8.194	-5.7	-
India	(Rs)	39.3000	+0.09	500 - 500	39.3500	39.2200	-	-	-	-	-	-	-
Israel	(Shk)	3.5303	-0.0004	271 - 334	3.5390	3.5271	-	-	-	-	-	-	-
Japan	(Y)	129.740	-0.165	720 - 780	130.020	129.450	129.156	5.4	128.01	5.3	122.98	5.2	120.1
Malaysia	(M$)	3.8930	+0.0027	880 - 980	3.8990	3.8550	3.889	1.2	3.8995	-0.7	4.0155	-3.1	-
New Zealand	(NZ$)	1.7147	+0.0016	132 - 161	1.7178	1.7132	1.7178	-2.2	1.7232	-2.0	1.742	-1.6	-
Philippines	(Peso)	40.1500	-	000 - 000	41.0000	40.0000	40.8505	-23.9	42.133	-19.8	47.2075	-17.9	-
Saudi Arabia	(SR)	3.7505	-0.0002	503 - 508	3.7506	3.7503	3.7509	-0.1	3.7521	-0.2	3.7577	-0.2	-
Singapore	(S$)	1.6765	+0.0085	750 - 780	1.6780	1.6660	1.6845	-5.7	1.691	-3.5	1.719	-2.5	-
South Africa	(R)	4.8625	-0.0005	615 - 635	4.8635	4.8615	4.902	-9.7	4.973	-9.1	5.2592	-8.2	-
South Korea	(Won)	1635.00	+205	000 - 000	1705.00	1570.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.5870	-0.1105	650 - 090	32.6900	32.5800	32.598	-0.4	32.6195	-0.4	32.6995	-0.3	-
Thailand	(Bt)	47.1000	+0.5	500 - 500	47.4000	45.0500	47.5	-10.2	48.3	-10.2	51.6	-9.6	-

† SDR rate per $ for Dec 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 29: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 30	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	3¾	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	3¾	[illegible]	4.60	-	3.30
Germany	3⅝	3½	[illegible]	[illegible]	3⅞	4.50	2.50	3.30
Ireland	[illegible]	6¼	[illegible]	[illegible]	5⅞	-	-	6.75
Italy	6¾	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	6.17
Netherlands	[illegible]	3¾	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	1⅛	1⅛	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	5¾	[illegible]	5⅞	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	⅝	[illegible]	-	0.50	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.35	5.54	5.60	5.72	-	-	-
ECU Linked Ds	-	[illegible]	4⅝	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	3⅝	3⅞	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 30	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible] - 3½	[illegible]	[illegible]	4 - [illegible]	[illegible]	[illegible]
German Mark	4½ - 4	[illegible]	3½ - [illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible] - 5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7¼ - 7⅛	8 - 7⅞	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1⅜ - ⅞	[illegible]	1¼ - 1⅛	1½ - 1⅜	1⅜ - 1½	[illegible]
Canadian Dollar	4¼ - 4⅛	4⅜ - 4¼	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	5⅝ - 5⅝	[illegible]	5¾ - [illegible]	[illegible]	[illegible]
Italian Lira	7¾ - 6¾	[illegible] - 6⅛	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	½ - [illegible]
Asian $Sing	¼ - ⅛	5 - 4½	7 - 6½	7 - 6½	7½ - 7	7½ - 7

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.22	95.16	-0.06	95.22	96.16	11,212	80,958
Jun	96.08	96.02	-0.08	96.09	96.02	3,085	42,868
Sep	95.96	95.91	-0.08	95.99	95.91	3,035	30,741

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.23	96.16	-0.04	96.23	96.19	32936	370336
Jun	96.09	96.03	-0.07	96.09	96.02	13665	333428
Sep	95.97	95.91	-0.06	95.97	95.89	10489	242821
Dec	95.78	95.71	-0.06	95.79	95.70	8517	205182

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	-	96.42	-0.01	-	-	0	633
Feb	-	96.33	-0.03	-	-	0	183
Mar	-	96.25	-0.04	-	-	0	100
Apr	-	96.22	-0.04	-	-	0	50

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.65	94.62	-0.05	94.68	94.92	13864	153836
Jun	95.35	95.28	-0.08	95.35	95.27	7052	128464
Sep	95.62	95.53	-0.10	95.62	95.53	4211	93951
Dec	95.59	95.52	-0.11	95.60	95.50	3376	66513

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.32	98.29	-0.04	98.32	98.27	1980	71984
Jun	98.12	98.13	-0.05	98.14	98.11	843	30068
Sep	98.03	97.99	-0.06	98.03	97.98	242	15938
Dec	97.78	97.78	-0.06	97.79	97.75	107	7944

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.10	+0.01	-	-	0	n/a
Jun	-	99.20	+0.01	-	-	0	n/a
Sep	-	99.22	+0.02	-	-	0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.57	95.51	-0.06	95.57	95.51	688	9155
Jun	95.56	95.51	-0.06	95.56	95.51	319	6194
Sep	95.56	95.50	-0.08	95.56	95.54	21	8094
Dec	-	95.61	-0.06	-	-	0	4039

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9450	0.22	0.61	1.07	0.10	0.03	0.04
9475	0.09	0.60	0.85	0.22	0.07	0.07
9500	0.03	0.40	0.63	0.41	0.12	0.10

Est. vol. total, Calls 1000 Puts 202. Previous day's open int., Calls 159663 Puts 50728

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.22	4.850	1.893	4762	5.466	18.92	496.0	410.4	21.38	3.936	1.634	3.892	2.707	351.2	2.452
Denmark	(DKr)	54.13	10	8.782	2.625	1.025	2578	2.958	10.78	268.5	222.1	11.58	2.131	0.885	2.107	1.465	190.1	1.327
France	(FFr)	61.64	11.39	10	2.989	1.167	2935	3.369	12.28	305.8	252.9	13.19	2.426	1.007	2.399	1.669	216.5	1.511
Germany	(DM)	20.62	3.809	3.345	1	0.390	981.9	1.127	4.107	102.3	84.62	4.411	0.812	0.337	0.803	0.558	72.42	0.506
Ireland	(I£)	52.83	9.759	8.571	2.562	1	2518	2.888	10.52	262.1	216.8	11.30	2.080	0.863	2.056	1.430	185.5	1.295
Italy	(L)	2.100	0.388	0.341	0.102	0.040	100	0.115	0.418	10.42	8.618	0.449	0.083	0.034	0.082	0.057	7.376	0.052
Netherlands	(Fl)	18.30	3.380	2.968	0.887	0.346	871.2	1	3.644	90.75	75.06	3.914	0.720	0.299	0.712	0.495	64.26	0.449
Norway	(NKr)	50.21	9.275	8.146	2.435	0.950	2391	2.744	10	249.1	206.0	10.74	1.976	0.820	1.954	1.359	176.3	1.231
Portugal	(Es)	20.16	3.724	3.271	0.978	0.382	960.0	1.102	4.015	100	82.73	4.312	0.794	0.329	0.785	0.546	70.80	0.494
Spain	(Pta)	24.37	4.501	3.953	1.182	0.461	1160	1.332	4.853	120.9	100	5.213	0.959	0.398	0.948	0.660	85.58	0.598
Sweden	(SKr)	46.75	8.636	7.584	2.267	0.885	2226	2.555	9.311	231.9	191.8	10	1.840	0.764	1.820	1.265	164.2	1.146
Switzerland	(SFr)	25.40	4.693	4.122	1.232	0.481	1210	1.389	5.060	126.0	104.3	5.434	1	0.415	0.989	0.688	89.22	0.623
UK	(£)	61.19	11.30	9.928	2.968	1.158	2914	3.345	12.19	303.6	251.1	13.08	2.408	1	2.382	1.657	214.9	1.501
Canada	(C$)	25.69	4.746	4.168	1.246	0.486	1223	1.404	5.117	127.4	105.4	5.496	1.011	0.420	1	0.696	90.24	0.630
USA	($)	36.94	6.824	5.993	1.792	0.699	1759	2.019	7.358	183.2	151.6	7.902	1.454	0.604	1.438	1	129.7	0.908
Japan	(Y)	28.47	5.260	4.619	1.381	0.539	1356	1.556	5.671	141.2	116.8	6.091	1.121	0.465	1.108	0.771	100	0.698
Ecu	-	40.78	7.534	6.616	1.978	0.772	1942	2.229	8.123	202.3	167.4	8.724	1.605	0.666	1.587	1.104	143.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5610	0.5602	-0.0010	0.5608	0.5585	28,580	72,906
Jun	0.5629	0.5623	-0.0017	0.5629	0.5623	1,498	3,198
Sep	0.5707	0.5870	-	-	-	1,501	1,640

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7814	0.7791	-0.0020	0.7798	0.7779	10,844	67,857
Jun	0.7901	0.7901	-0.0017	0.7901	0.7901	6	1,673
Sep	-	0.8000	-	0.8000	-	1,240	212

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6965	0.6927	-0.0038	0.6939	0.6917	13,559	39,539
Jun	0.7002	0.7010	-0.0026	0.7010	0.7002	1,009	883
Sep	-	0.7110	-	-	0.7110	1,005	1,102

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6650	1.6468	-0.0164	1.6668	1.6458	7,250	31,484
Jun	1.6390	1.9450	-0.0136	1.6450	1.6390	2	1,317
Sep	-	1.6500	-	-	-	7	4

UK INTEREST RATES

LONDON MONEY RATES

Dec 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¾ - 6½	7⅞ - 7⅛	7½ - [illegible]	[illegible] - 7½	[illegible] - 7½	[illegible] - 7½
Sterling CDs	-	-	[illegible]	[illegible] - 7½	[illegible] - 7½	[illegible] - 7½
Treasury Bills	-	-	7¼ - 7⅛	7⅜ - [illegible]	-	-
Bank Bills	-	-	7¼ - 7⅛	[illegible]	7⅜ - 7¼	-
Local authority deps.	[illegible] - 7	7¼ - 7⅛	7⅜ - [illegible]	[illegible]	7⅜ - [illegible]	[illegible]
Discount Market deps	7⅛ - 7	[illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Dec 24 7.0054pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 31, 1997. Agreed rate for period Jan 26, 1998 to Feb 24, 1998, Scheme III 8.35pc. Reference rate for period Nov 29, 1997 to Dec 31, 1997, Schemes IV & V 7.709pc. Finance House Base Rate 8pc from Jan 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.44	92.39	-0.06	92.44	92.39	9608	141217
Jun	92.55	92.49	-0.08	92.55	92.49	7872	110454
Sep	92.69	92.62	-0.08	92.69	92.61	4115	83205
Dec	92.87	92.81	-0.07	92.87	92.80	2159	78390
Mar	93.10	93.02	-0.09	93.10	93.02	1140	66104

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9225	0.21	0.35	0.50	0.07	0.11	0.15
9250	0.06	0.18	0.33	0.17	0.20	0.21
9275	0.01	0.08	0.20	0.37	0.35	0.33

Est. vol. total, Calls 860 Puts 2404. Previous day's open int., Calls 164717 Puts 151805

EMS EUROPEAN CURRENCY UNIT RATES

Dec 30	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.771594	+0.004471	-3.39	8.29	23
Italy	1906.48	1940.65	-2.71	1.79	0.87	-13
Spain	163.826	167.326	-0.167	2.14	0.53	-15
Finland	5.85424	5.98954	-0.00022	2.31	0.36	-15
France	6.45863	6.61349	-0.00483	2.40	0.27	-20
Portugal	197.398	202.229	-0.095	2.45	0.23	-16
Denmark	7.34555	7.53116	-0.00498	2.53	0.15	-17
Germany	1.92573	1.97584	-0.00103	2.65	0.02	-26
Austria	13.5485	13.9096	-0.0072	2.67	0.01	-18
Belgium	39.7191	40.7806	-0.0279	2.67	0.01	-20
Netherlands	2.16979	2.22792	-0.00084	2.68	0.00	-20
NON ERM MEMBERS						
Greece	295.269	312.003	+0.048	5.67	-2.83	-
UK	0.793103	0.668193	+0.002571	-16.00	22.24	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
1.660	1.92	2.61	3.13	0.84	1.89	2.56
1.670	1.36	2.14	2.63	1.28	2.37	3.08
1.680	0.94	1.71	2.25	1.97	2.90	3.54

Previous day's vol., Calls 4 Puts 177. Prev. day's open int., Calls 23,090 Puts 23,268

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
0.560	0.45	0.81	1.09	0.49	0.77	0.97
0.565	0.26	0.59	0.86	0.80	1.05	1.24
0.570	0.14	0.41	0.65	1.16	1.38	1.55

Previous day's vol., Calls 104 Puts 132. Prev. day's open int., Calls 9,329 Puts 17,654

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.21	94.19	+0.96	94.23	94.21	30,825	488,653
Jun	94.19	94.17	-	94.21	94.19	15,452	332,523
Sep	94.15	94.12	-0.10	94.17	94.14	14,814	263,711

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.94	94.93	-0.01	94.94	94.93	594	8,316
Jun	-	94.89	-	-	-	40	1,260
Sep	-	94.83	-	-	-	10	23

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9600	0.19	0.20	0.22	0.17	0.01	0.02	0.04	0.14
9625	0.03	0.05	0.06	0.07	0.10	0.12	0.13	0.29
9650	0.01	0.01	0.02	0.03	0.33	0.33	0.34	0.50
9675	0	0	0.01	0.01	0.57	0.57	0.58	0.73

Est. vol. total, Calls 575 Puts 2350. Previous day's open int., Calls 261656 Puts 201400

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9850	0.05	0.06	0.07	0.26	0.43	0.58
9875	0.01	0.02	0.02	0.47	0.64	0.78

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts 480

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

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31 December, 1997

Credit Suisse First Boston, Inc.
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31 December, 1997

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THE STARS PROGRAMME
STARS 1 PLC
£475,000,000 Class A Floating Rate Mortgage Backed Securities 2029

Notice is hereby given that the Rate of Interest has been fixed at 8.02188% and that the interest payable on the relevant Interest Payment Date March 27, 1998 against Coupon No. 29 in respect of £10,000 nominal of the Notes will be £89.55.

December 31, 1997, London
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

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The Financial Times plans to publish a Survey on

Azerbaijan

on Wednesday February 11 1998

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COMMODITIES AND AGRICULTURE

Future seen for waste in electronic trading

The market for reprocessed materials is set to expand

The perception of waste and the way it is handled could soon change, with the launch of a dedicated, electronic "trading floor" in the UK. The floor, which already has the support of the Scottish Environment Protection Agency, is the idea of Edinburgh-based Angus Macpherson, who hopes to go online by the end of the year.

Mr Macpherson believes the trading floor will introduce much-needed transparency and stability into markets for waste materials such as paper, plastics, wood and glass. It will facilitate contacts between everyone from the creator and collector of waste to the separator, reprocessor and end-markets for reprocessed materials.

It will incorporate all the instruments found on any other commodity floor, including futures. There will be an additional, and initially lucrative, market in "evidence" – proof of delivery of a post-consumer separated packaging to a reprocessor. A company delivering more than its required amount to a reprocessor will be able to eell on "the evidence" of that access to another company.

Each year, 8.5m tonnes of packaging materials enter the UK's industrial and domestic waste streams. European-promoted regulations have set targets of 50 per cent of packaging to be recovered by 2001. Mr Macpherson accepts that 75 per cent of this will continue to be the subject of one-to-one negotiations between waste separators and the market. He is targeting the remaining 25 per cent.

Mr Macpherson, an MBA and former merchant banker and soldier, was working in the corporate finance department of John Menzies, the stationer, when he wes asked to consider the implications of the Producer Responsibility (Packaging Waste) Regulations.

He found the costs of sorting and bulking waste for reprocessors and tha volatility of the market made landfill the cheapest and safest option. UK reprocessors said they could buy more cheaply on the world market than in the UK, where the markets for reprocessed materials were, in any case, limited.

Trevor Humphries

European-promoted regulations have set targets of 50 per cent of packaging to be recovered by 2001

Mr Mocpherson came to four conclusions:

● There was a great deal of mistrust between waste producers, handlers and reprocessors, and there was a need for "an open and auditable middle point".

● The price of materials taken ont of tbe waste stream required a boost. Subsidiee were not the answer. Germany's reprocessing industry could not cope with the huge volumes generated and the surplus was exported, depressing prices worldwide.

● Price stability would encourage investment in infrastructure and provide some continuity of supply. It would help the 4,000 UK companies, obliged under the regulations to recover packaging, to plan thair waste managemsnt etrategies.

● The market for the products of reprocessed materials needed to be expanded and the profile of reprocessed materials raised.

He believes a trading floor can deal with these problems and objectives.

The incentive to recover and reprocess waste rather than send it to landfill will come initially from the trade in evidence, which is likely to bridge the gap between what a wasta separator such as a local authority or company receives for the material and the increased costs of handling it.

In the medium to long term, Mr Macpherson expects that the market for evidence will taper off, while the market for the recovered and reprocessed materials will expand.

"The fact that the floor might attract speculators has been expressed as a concern," be says. "But speculators do, in fact, absorb risk, and on a well-regulated trading floor they will be set off, one against each other."

The floor will require materials for delivery to be unambiguously described, and standards agreed. The concept has the support of the Convention of Scottish Local Authorities and of the Recycling Advisory Group, Scotland, itself advising tha Scottish Office.

The Independent Waste Paper Processors Association, whose paper merchants collect about 50 per cent of recycled paper has given the trading floor its blessing. Mr Macpherson speaks on October 13 at a conference of the Local Authorities' Recycling Advisory Committee, which represents local euthorities in England and Wales.

The main costs will not so much be in setting up the trading floor but in showing prospective users how to use it. It is unlikely to employ more than 30, but the spin-offs could be substantial in industries associated with waste management.

"The trading floor is not in itself a commercial venture, but it is a mechanism which will help the government meet its own targets. I am offering e way of minimising risk, of obligating companies, waste handlers and reprocessors working more in partnership. Without that opportunity I believe it will be very difficult to meet the European targets. Producer responsibility obligations have been tha catalyst for the creation of this floor. But tha floor's potential is not in any way restricted to packaging," Mr Macpherson says.

Alastair Guild

Crude oil falls to lowest for 22 months

MARKETS REPORT

By Paul Solman

Oil prices slipped to a 22-month low on the International Petrolenm Exchange yesterday as traders showed concern abont increased production in 1998. February dated Brent crude closed at $16.58 a barrel. On the New York Mercantile Exchange, February crude was off 3 cents at $17.59 at midday.

The Organisation of Petroleum Exporting Countries has agreed to raise supply limits by 10 per cent from January 1 to an overall ceiling of 27.5m barrels a day. And with the United Nations expected to reach a deal allowing Iraq to resume oil exports next month, Opec supplies in January are forecast to reach an 18-year high of above 28m bpd.

Many analysts see little chance of oil prices recovering to $20 in 1998. "It might not go a great deal lower but there is little reason for this market to racover quickly," ona said.

On tbe London Metal Exchange, copper for three-month delivery rallied from Monday's four-year lows to close up $11 et $1,737.50 a tonne. But traders said the market was bearisb and did not suggest a snstained recovery. The new year holiday this week was likely to keep prices relatively stable, they added.

Aluminium closed at $1,564 a tonne, up $38 from Monday's close.

Light profit-taking pusbed gold $4.25 lower to $289.75 an ounce. Platinum rose $1.50 to $364, while palladium was $11 higher at $204.50.

Cocoa futures on the London Financial Fntures Exchange agein suffered from lacklustre trading, and the March contract edged up just £2 to £1,059 e tonne.

Scottish fish farmers pin hopes on the halibut

Fish farmers in Scotland have successfully reared a new species, which commands e price up to four times the price of farmed salmon. The first harvest of farmed halibut in the UK occurs shortly, proving that salmon farmers can diversify and rotate the fish "crop" on their farms.

The first half-tonne of halibut from Marine Harvest McConnell's farm will be sold to specially chosen retail outlets and restaurants.

Halibut research began in 1974 in Norway. The British Halibut Association was formed in 1987 and now has 16 members including four commercial hatcheries and the Seafish facility at Ardtoe in Argyll, two Islands councils, Highlands and Islands Enterprise and feed manufacturers.

Marine Harvest McConnell's halibut were spawned at Mannin Seafarms hatchery in the Isle of Man, from wild-caught broodstock. Wild broodstock will have an important role for the foreseeable future. At 10 grammes, juveniles are moved to MHM's nursery unit at Lochailort in Lochaber. At 300 grammes they are transferred to sea cages at Loch Skipport in South Uist in the Western Isles.

Three bundred fish produced in 1994, now weighing between 2kg and 5kg each, will be harvested this month. Each jnvenile fish costs £6. This should fall to around £2, as production rises. Wild halibut costs £8 e kilo, compared with over £2 a kilo for salmon.

As technology improves, halibut prices are expected to settle between £5 and £6 a kilo, making hatchery and farming operations viable. The harvest from Loch Skipport should reach five tonnes by 1999, with Scottish output reaching 80 tonnes by 2000.

Devid Mitchell, research and development manager et MHM and chairman of the BHA, said Scotland was ideal to farm halibut.

"We're at the southern end of the halibut's natural range," he said. "Sea temperatures rarely fall below 7 degrees Centigrade which means halibut continne to feed and grow in winter. They are less susceptible to disease than salmon and fish over one kilo in weight will tolerate densities of 50kg e square metre, as long as there is a good water flow through the cage."

Halibut flesh is white, and can be sold whole, filleted, smoked, as steaks and pre-prepared meals. Scottish farmers bope that in three years, they can supply the market all year round. Only 2,000 tonnes of wild halibut are sold annually in Britain, and Iain Sutherland, fisheries and aquaculture executive with HIE sees an opportunity.

"Wild halibut supply is erratic, the fish is not generally known, so there are no pre-conceptions to ovsrcome. This year we can observe consumer reaction and our marketing campaign we will develop eccordingly," he says.

But in Norway, production is about 10 times that of Scotland. This year, 12 hatcheries will produce 250,000 fry in Norway, while five hatcheries in Britain will produce 30,000. Some 40,000 will be produced in Iceland and 5,000 in Caneda.

At the 1996 Scottish Fish Farming Conference, Joe McDonald of Orkney estimated that Norway had spent £80m on halibut farming, while the UK spent £6m.

David Windmill, maneging director of MHM, said farming halibut was logical but be wanted the UK government to define its attitude to aquaculture.

"Someone in government should say equaculture should be at the core of UK plc and then take a strategic view of aquaculture. Hopefully, with e Scottish parliament fishing and aquaculture will get e better hearing and then the industry could thrive," he said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1523.5-24.5	1546-47
Previous	1493-4	1522-3
High/low		1570/1528
AM Official	1503-04	1527-28
Kerb close		1567-68
Open int.	261,600	
Total daily turnover	58,689	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1380-85	1398-400
Previous	1355-65	1375-85
High/low		1400/1390
AM Official	1360-70	1384-90
Kerb close		1395-400
Open int.	5,575	
Total daily turnover	1,276	

■ LEAD ($ per tonne)

Close	546-7	554-5
Previous	527.5-8.5	534-6
High/low		557/539.5
AM Official	529-33	539-40
Kerb close		551-2
Open int.	33,616	
Total daily turnover	11,409	

■ NICKEL ($ per tonne)

Close	5985-90	6075-80
Previous	5875-85	5975-80
High/low		6110/6010
AM Official	5965-70	6060-65
Kerb close		5075-80
Open int.	60,023	
Total daily turnover	19,343	

■ TIN ($ per tonne)

Close	5415-25	5440-45
Previous	5330-40	5355-60
High/low		5450/5370
AM Official	5345-50	5370-75
Kerb close		5430-40
Open int.	14,549	
Total daily turnover	3,416	

■ ZINC, special high grade ($ per tonne)

Close	1099.5-00.5	1121-22
Previous	1086-7	1109-10
High/low		1124/1111
AM Official	1089-90	1113-13.5
Kerb close		1117-18
Open int.	81,156	
Total daily turnover	25,369	

■ COPPER, grade A ($ per tonne)

Close	1712-13	1740-41
Previous	1696-7	1726-7
High/low		1744/1729
AM Official	1698.5-99	1728-29
Kerb close		1737-1738
Open int.	147,153	
Total daily turnover	37,974	

■ LME AM Official £/$ rate: 1.6565
LME Closing £/$ rate: 1.6575

Spot 1.6550 3 mths 1.6435 6 mths [illegible] 9 mths [illegible]

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	77.05	-0.55	77.45	76.10	1,218	3,924
Feb	77.30	-0.55	72.20	77.50	45	2,372
Mar	73.50	+0.60	73.70	71.60	4,203	25,623
Apr	73.10	+0.90	73.20	73.70	108	1,626
May	79.45	+0.75	79.50	73.70	201	5,314
Jun	[illegible]	+0.80	[illegible]	[illegible]	[illegible]	[illegible]
Total					7,620	71,598

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv	SFr equiv
Close	289.80-290.10		
Opening	290.30-290.70		
Morning fix	290.50	174.85	422.90
Afternoon fix	290.20	175.15	422.44
Day's High	290.90-291.30		
Day's Low	289.10-289.50		
Previous close	291.60-292.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.35	6 months	3.39
2 months	3.34	12 months	3.99
3 months	3.90		

Silver Fix	p/troy oz.	US cts equiv
Spot	373.05	620.25
3 months	376.65	621.60
6 months	374.25	622.40
1 year	380.45	621.85

Gold Coins	$ price	£ equiv
Krugerrand	289.5-292.5	175-177
Maple Leaf	-	-
New Sovereign	67-70	40-42

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	290.9	-0.9	-	-	-	2
Feb	291.6	-0.9	292.6	290.4	30,257	89,796
Apr	293.3	-0.9	293.9	292.0	1,371	12,770
Jun	295.3	-0.9	295.5	294.0	564	11,541
Aug	297.3	-0.9	297.7	297.0	10	5,486
Oct	299.4	-0.9	-	-	33	2,662
Total					32,373	177,569

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	367.0	+1.5	369.0	362.0	121	1,599
Apr	363.0	+2.0	363.5	359.5	418	9,429
Jul	361.5	+2.0	-	-	3	313
Oct	361.5	+2.0	-	-	8	13
Total					7,261	11,297

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	203.75	+6.00	203.75	202.50	214	3,558
Jun	202.00	+5.75	202.00	201.00	1	250
Sep	199.00	+5.75	-	-	-	4
Total					175	3,815

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Jan	613.0	-18.0	618.0	612.0	1	8
Mar	618.5	-14.5	633.0	612.0	10,051	69,968
May	619.5	-14.0	628.0	613.0	268	7,378
Jul	620.0	-13.5	627.0	614.0	83	7,378
Sep	630.0	-13.5	615.0	615.0	1	1,516
Dec	619.5	-13.0	621.5	614.0	45	7,264
Total					18,073	98,888

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	17.60	-0.02	17.77	17.50	39,734	[illegible]
Mar	17.83	-0.01	17.97	17.70	14,176	49,063
Apr	18.02	-0.01	18.11	17.98	5,517	28,013
May	18.17	-0.01	18.29	18.15	4,201	21,568
Jun	18.35	-0.04	18.45	18.32	5,147	33,967
Jul	18.48	-0.08	18.51	18.43	1,329	19,130
Total					76,836	407,643

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	16.80	-	16.80	16.56	10,116	72,141
Mar	16.74	-0.04	16.50	16.74	3,919	42,281
Apr	16.65	-0.02	17.02	16.85	1,900	17,663
May	16.97	-0.01	17.06	17.00	390	12,098
Jun	17.10	-0.10	17.20	17.08	1,597	19,197
Jul	17.20	-0.06	17.21	17.17	302	0,622
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	49.65	-0.56	49.70	49.00	19,465	17,778
Feb	50.05	-0.47	50.10	49.45	16,682	53,255
Mar	50.50	-0.42	50.35	48.85	5,488	25,365
Apr	50.35	-0.41	50.35	49.90	2,981	12,624
May	50.30	-0.52	50.35	49.85	1,609	9,043
Jun	50.30	-0.57	50.30	49.95	2,620	11,070
Total					50,140	180,178

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	151.00	-1.50	152.25	150.75	5,313	24,414
Feb	152.50	-1.75	153.75	152.25	3,749	17,589
Mar	154.00	-1.75	154.75	153.75	2,769	11,147
Apr	155.75	-1.00	156.00	155.25	852	5,510
May	156.25	-0.50	157.00	156.50	177	3,091
Jun	157.00	-	157.25	156.25	818	11,531
Total					15,986	80,082

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Jan	16.750	-0.050	16.250	16.250	20	1,175
Feb	16.050	-0.290	16.150	16.050	50	3,480
Total					946	11,280

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	2.230	-0.050	2.283	2.190	15,060	40,790
Mar	2.195	-0.045	2.240	2.170	2,116	25,542
Apr	2.155	-0.035	2.190	2.125	1,003	12,555
May	2.150	-0.050	2.150	2.135	509	9,305
Jun	2.165	-0.025	2.200	2.145	373	9,156
Jul	2.170	-0.002	2.200	2.150	510	9,866
Total					70,834	150,588

■ UNLEADED GASOLINE
NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	53.60	-0.32	54.75	53.45	14,723	13,141
Feb	54.30	-0.26	54.07	53.70	16,939	32,495
Mar	54.60	-0.20	55.50	54.35	1,706	12,273
Apr	57.20	-0.20	57.90	57.10	1,988	13,197
May	57.20	-0.10	57.40	57.15	854	10,941
Jun	56.80	-	56.90	56.80	83	3,046
Total					36,393	103,567

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	80.95	+0.45	80.80	80.50	43	242
Mar	83.75	+0.50	83.75	83.50	30	2,501
May	85.75	+0.50	85.75	85.55	19	3,806
Jul	87.75	+0.50	-	-	-	478
Sep	80.25	+0.25	-	-	-	38
Total					94	8,880

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	327.75	-6.00	333.75	327.50	6,402	55,960
May	335.25	-6.25	341.00	335.00	823	12,332
Jul	341.75	-6.25	348.50	341.50	1,488	20,106
Sep	358.00	-3.50	352.00	349.00	51	777
Dec	360.00	-5.00	363.50	360.00	242	2,846
Jul	364.00	-1.00	364.00	364.00	2	46
Total					9,004	92,088

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	268.75	-0.50	286.00	268.00	21,753	186,295
May	273.75	-1.00	275.50	273.25	3,241	49,423
Jul	279.73	-0.75	281.25	278.75	2,807	39,880
Sep	276.50	-1.25	280.75	278.25	262	8,873
Dec	283.25	-1.25	284.50	282.25	2,130	34,250
Mar	289.25	-1.25	290.00	288.75	52	1,219
Total					38,232	322,022

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Jan	74.50	+0.40	74.25	74.25	5	181
Mar	77.50	+0.40	-	-	-	1,455
May	78.50	+0.40	-	-	-	20
Sep	77.50	+0.40	-	-	-	8
Total					6	1,794

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	681.25	+0.50	684.00	679.50	17,858	22,286
Mar	685.75	+2.75	687.00	682.50	21,557	51,108
May	691.50	+3.00	693.00	689.00	3,321	28,571
Jul	697.50	+4.00	698.00	693.50	1,926	28,096
Aug	694.50	+2.75	696.00	694.50	202	4,217
Sep	678.50	+3.00	679.00	678.00	16	246
Total					45,616	141,286

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jan	25.09	-	25.23	25.01	10,495	10,791
Mar	25.49	-0.08	25.64	25.45	13,802	51,957
May	25.79	-0.05	25.90	25.73	2,069	17,018
Jul	25.90	-0.03	26.05	25.86	783	12,106
Aug	25.90	-0.05	25.90	25.75	110	3,822
Sep	25.65	+0.05	25.73	25.65	87	1,359
Total					27,886	98,378

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jan	207.2	+1.0	207.4	205.4	9,136	17,217
Mar	204.5	+1.1	204.7	202.7	9,871	39,327
May	203.2	+0.5	203.5	202.0	2,114	24,128
Jul	204.1	-0.4	205.2	203.3	1,073	16,068
Aug	204.6	-0.4	205.8	204.0	156	4,979
Sep	204.8	-	206.0	204.0	84	3,738
Total					22,546	108,818

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	92.0	-	-	-	-	-
Apr	116.0	-	117.0	115.0	17	1,077
May	125.5	-0.5	124.5	124.5	5	62
Jun	135.5	-0.5	-	-	-	-
Nov	58.0	-	-	-	-	3
Total					27	1,139

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Jan	1195	+35	1205	1165	57	685
Feb	1210	+35	-	-	-	186
Mar	1215	+22	1210	1200	12	-
Apr	1275	+17	-	-	-	444
Jul	1150	+17	-	-	-	123
Total					69	1,483

	Close	Prev
BFI	1229	1229

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	483.00	+5.50	483.50	477.75	56	350
Jun	504.50	+5.75	504.50	498.50	32	277
Total					88	627

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
European free market, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 1,540-1,610. Bismuth: min 99.99%, tonne lots 3.00-3.25 (3.10-3.25). Cadmium: min. 99.95%, cents a pound 30.00-40.00. Cobalt: MB free market, min. 99.8%, 25.00-25.50, min. 99.3%, 17.70-18.40 (18.00-18.50). Mercury: min. 99.99%, $ per 76 lb flask, 140-150. Molybdenum: drummed molybdic oxide, 3.90-3.95 (3.75-3.90). Selenium: min 99.5%, 3.00-3.00. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, CIF, 40-52. Vanadium: min. 98%, CIF, 5.10-5.60 (5.20-5.60). Uranium: Nuexco unrestricted exchange value, 9.05.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1034	+2	1030	1030	1	76
Mar	1058	+2	1061	1050	1,761	65,956
May	1084	+3	1084	1073	193	25,189
Jul	1103	+3	1098	1099	14	12,033
Sep	1122	+2	1122	1119	58	21,951
Dec	1142	-	-	-	-	24,546
Total					2,186	180,719

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1641	+16	1648	1619	1,286	41,026
May	1671	+13	1677	1652	256	20,936
Jul	1696	+13	1688	1680	3	5,230
Sep	1720	+12	1720	1710	24	5,817
Dec	1749	+13	1736	1736	49	9,115
Mar	1773	+13	1760	1750	4	8,549
Total					1,601	93,858

■ COCOA (ICCO) (SDR's/tonne)

Dec 29	Price	Prev. day
Daily	1275.28	1288.11

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jan	1714	+17	1720	1683	1,024	8,066
Mar	1702	+17	1705	1675	1,115	28,206
May	1685	+13	1688	1663	349	7,882
Jul	1676	+13	1670	1670	4	1,525
Sep	1676	+13	-	-	-	847
Nov	1683	+13	-	-	-	32
Total					2,492	42,156

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	164.80	+1.55	165.75	163.00	3,172	18,525
May	159.50	+1.35	160.50	158.50	478	5,599
Jul	153.45	+1.60	154.35	153.00	128	2,777
Sep	147.75	+2.25	148.60	147.50	62	1,341
Dec	142.75	+2.25	143.00	143.00	26	1,214
Mar	140.25	+2.25	140.50	137.50	1	293
Total					3,869	27,779

■ COFFEE (ICO) (US cents/pound)

Dec 29		Prev. day
Comp. daily	125.67	n/a
15 day average	130.37	n/a

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	308.6	-1.5	309.0	306.7	1,605	22,181
May	311.8	-2.2	313.4	311.9	207	6,878
Aug	313.6	-1.4	314.5	313.5	28	4,957
Oct	308.5	-1.4	310.0	308.8	28	4,457
Dec	308.3	-1.1	310.0	309.5	24	164
Total					1,883	38,915

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.30	-0.06	12.36	12.29	8,590	97,365
May	12.07	-0.04	12.11	12.06	1,242	32,668
Jul	11.86	-0.04	11.71	11.86	424	30,318
Oct	11.59	-0.02	11.60	11.56	638	25,845
Mar	11.47	-0.02	11.48	11.46	338	7,477
May	11.42	-0.02	11.42	11.41	-	1,171
Total					11,272	197,884

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	67.15	+0.13	67.20	66.85	5,750	44,275
May	68.40	+0.09	68.50	68.20	654	14,824
Jul	69.70	+0.03	69.85	69.65	1,105	14,809
Oct	71.83	+0.16	-	-	53	1,356
Dec	72.50	+0.13	72.60	72.50	768	13,527
Mar	73.63	-0.10	-	-	46	458
Total					8,368	88,804

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	82.10	-3.55	85.00	81.00	2,689	5,939
Mar	85.85	-3.55	88.75	84.50	3,070	26,533
May	88.40	-3.30	92.00	88.10	501	5,865
Jul	92.60	-3.30	95.40	90.90	72	3,967
Sep	95.70	-3.55	-	-	89	1,673
Nov	98.20	-3.55	97.50	97.50	10	1,583
Total					6,647	46,209

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 30	Dec 29	month ago	year ago
1750.3	1748.9	1793.9	1868.5

■ CRB Futures (Base: 1967 = 100)

Dec 29	Dec 26	month ago	year ago
231.54	232.93	-	-

■ GSCI Spot (Base: 1970 = 100)

Dec 29	Dec 26	month ago	year ago
178.40	n/a	188.82	225.36

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,475	to	635,675
Aluminium alloy	+500	to	42,940
Copper	-900	to	332,725
Lead	-100	to	111,675
Nickel	-1,475	to	65,252
Zinc	-1,325	to	491,775
Tin	+60	to	12,850

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	66.350	-0.200	66.850	66.225	7,600	49,578
Apr	68.950	-0.325	69.000	68.400	2,338	27,410
Jun	68.175	-0.300	68.550	68.075	1,334	15,681
Aug	68.800	-0.150	69.100	68.875	358	9,450
Oct	71.675	-0.225	71.950	71.625	28	1,838
Dec	72.800	+0.050	72.800	72.750	4	338
Total					11,089	101,205

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Feb	57.850	-0.400	58.000	57.850	3,262	21,571
Apr	58.525	-0.650	57.050	56.600	1,487	7,884
Jun	64.075	-0.475	64.500	63.950	1,172	5,996
Jul	63.200	-0.500	63.600	63.200	379	1,769
Aug	61.225	-0.075	61.225	60.800	109	359
Oct	57.800	+0.300	57.600	57.800	103	639
Total					6,671	38,447

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	51.950	-1.800	52.800	51.750	971	5,518
Mar	51.575	-1.650	52.800	51.380	203	1,389
May	52.800	-1.200	52.500	52.000	58	1,085
Jul	52.100	-1.850	52.500	51.200	24	635
Aug	48.000	-2.300	50.000	48.000	6	193
Total					1,263	8,799

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1550	41	81	28	48
1575	29	68	40	60
1600	19	56	58	73
■ COPPER (Grade A) LME	Feb	May	Feb	May
1750	34	79	56	77
1800	18	58	90	104
1850	8	41	130	137
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1650	20	111	12	59
1700	3	85	45	83
1750	-	65	92	113
■ COCOA LIFFE	Mar	May	Mar	May
1025	54	86	20	27
1050	39	70	30	36
1075	28	57	45	48
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1650	-	50	20	48
1700	19	26	45	64
1750	-	-	94	96

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$15.09-5.19	-0.43
Brent Blend (dated)	$16.10-6.12	-0.31
Brent Blend (Feb)	$16.68-6.70	-0.23
W.T.I.	$17.59-7.61	-0.23

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$177-179	-2
Gas Oil	$152-154	-2
Heavy Fuel Oil	$77-79	
Naphtha	$162-163	-1
Jet fuel	$173-175	-2
Diesel	$160-161	-2

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	16.20-16.30	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

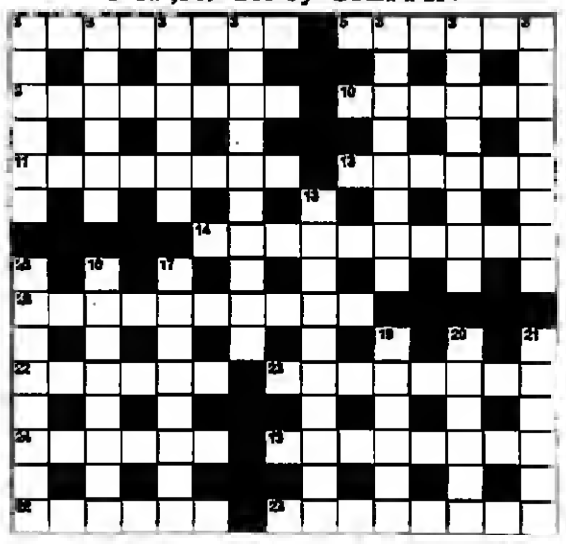
Gold (per troy oz)♣	$290.15	-1.70
Silver (per troy oz)♣	620.25c	-3.75
Platinum (per troy oz.)	$353.00	-0.50
Palladium (per troy oz.)	$203.00	+5.00
Copper	82.0c	-2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.81r	+0.11
Tin (New York)	253.5	
Cattle (live weight)	83.84p	-0.71*
Sheep (live weight)	87.34p	-5.39*
Pigs (live weight)†	70.69	+0.48*
Lon. day sugar (raw)	$298.30	-0.20
Lon. day sugar (wte)	$303.50	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	54.50p	
Rubber (Jan)♥	54.50p	
Rubber (KL RSS No1)	277.5z	+0.5
Coconut Oil (Phil)§	580.0y	+5.0
Palm Oil (Malay)§	555.0	-10.0
Copra (Phil)§	$387.5y	
Soyabeans (US)	183.5	
Cotton Outlook 'A' index	73.25c	-0.20
Wooltops (64s Super)	389p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. w Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 566 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,569 Set by GRIFFIN



ACROSS

1 Companlon grebbing launch is very rude (8)
5 Move fast, getting everyone to work after midnight (6)
9 Paddy takes one when following a motor coach (8)
10 Victor West, e good shot (6)
11 Cuts time, guaranteed, by one second (8)
12 Goodbye and thanks! (6)
14 One planning to shift rats gets it (10)
18 Annoyed, Rhodes talked of building an intersection (10)
22 A student flier makes excuses (6)
23 A revolutionary ice-clear vegetabie (8)
24 Ontcast wents father to back old musical (6)
25 Protective covering for a cooker? (8)
26 Forbidden to go back home, in fact (6)
27 Cooked leeks, not bones! (8)

DOWN

1 Rode round on top deck (6)
2 Fancied a bit of fun, really (6)
3 Sick of having face lifted and lifted! (4,2)
4 Whisper "It's different to guessing" (10)
6 Settled for a fair man (8)
7 Underwear is to remain long, in other words! (6)
8 Scrounger in Paris ete out (8)
13 Material which one can set light to? (10)
15 Fought about plano getting damaged (8)
16 This is charged if eccentric isn't poor (8)
17 Very good pace as starting to inhale (8)
19 Soldiers need to remember (6)
20 I work in dead end outfit (6)
21 Hide credit note in foreign money (6)

Solntion 9,568

هكذا الأصل

Crude oil falls to lowest for 22 months

CROSSWORD

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

The Financial Times plans to publish a Survey on

End of Year Review of Investment Banking.

on Friday January 23 1998

For further information, please contact:

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or your usual Financial Times representative

FT Surveys

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (FSA RECOGNISED)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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BAII Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

Bank Von Ernst & Cie AG

Frontrunner I (z)

GT Global

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

TCW Luxembourg Funds

Friends Provident International

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

[illegible]

هكذا مثل الاول

FT MANAGED FUNDS SERVICE

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

The Financial Times plans to publish a Survey on

Latin American Finance & Investment

on Friday March 13 1998

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FT Surveys

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	♣W	525xd	+1	594	407½	1,342	4.7	13.4
Bulmer (HP)	♣†	380	—	626	302½	—	4.8	11.9
Burn St Dist		41½	—	79½	40½	18	10.2	14.5
Diageo	♣W	596	-3	633½	434	5,650	3.2	17.1
Glenmorangie A	†	890xd	—	1040	840	—	2.0	20.6
B	†	935xd	—	1140	925	—	0.9	44.7
Highland	♣	201½xd	—	380	200	17	3.8	13.5
5¾pc Cnv Bds		92	—	98½	85½	—	6.4	—
Irish Y		469¾	+24	650¼	416¾	—	1.3	—
Matthew Clark	♣	162½xd	-1	336	157	69	15.4	5.2
Merrydown	♣	92½	+1	109½	49½	9	7.4	—
Seagram C$		£19⅛	+⅛	£25½	£18⅞	—	1.5	—

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

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ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£23¼	—	*£27¾	£21⅝	–	2.9	Φ
Barlow	♣	£5⅜	+⅛	£9⅝	£4⅞	–	3.1	Φ
Gold Flds Prop R		110½	—	197	110½	–	7.2	9.2
SA Brews	†	£14¼xd	—	£23¾	£13⅛	–	2.5	–
Standard Bank		£26¼	+⅜	£38	£22¼	–	2.0	–
Tiger Oats		811xd	—	1105	790	–	2.3	Φ
Tongaat-Hulett		735½xd	—	780	719½	–	2.4	Φ

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		£52100xd	—	£82100	£472	–	–	–

The Financial Times plans to publish a Survey on

Sweden

on Tuesday February 17 1998

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FT Surveys

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

RETAILERS, FOOD

TELECOMMUNICATIONS

RETAILERS, GENERAL

TEXTILES & APPAREL

TOBACCO

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for these particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on BMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) on the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes 2 special payments.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as a FID (Foreign Income Dividend)
S Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xC ex capital distribution.

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Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

UK equities put on a show of quiet resilience

MARKET REPORT

By Peter John

After a tumultuous year, the last full day's trading of 1997 saw UK equities edge quietly higher.

Expectations of a massive expiry in tailor-made, over-the-counter options failed to be fulfilled and the Footsie ended 19.9 higher at 5132.3.

The lower indices followed suit although they all lacked pressure from investor buying, fundamental economic news or strategists' opinions. FTSE 250 rose 35.9 to 4,768.1 and FTSE Small Cap gained 10.6 to 2,307.4.

The only apparent impetus was from overseas. The Dow Jones Industrial Average had ended 113 points higher on Monday night and the two leading Asian indices – the Nikkei 225 Average and the Hang Seng index – both closed higher on the day.

Footsie was only marginally stronger in early trading yesterday but ticked higher to show a gain of 22 after the first hour. Then, a sell programme knocked the index back to a single figure gain and it stayed at the lower levels until Wall Street opened.

Further strength in US equities, partly reflecting strong consumer confidence data, helped Footsie kick into life again and it hit an intra-day gain of 32 points before settling by the close.

It was below the record high of 5,367 achieved at the beginning of October but well above the economists' consensus forecast. And some strategists believe that 1998 could be very flat for equities.

SocGen published its Footsie prediction for the end of next year. It says the index will finish no higher than the October peak.

Many economists and fund managers are beginning to factor a global slowdown into their forecasts because of the economic problems rattling through Asia. For example, George Soros, chairman of Soros Fund Management, believes the abandonment of fixed exchange rates in the region could unhinge the international financial system if unchecked.

And, in the UK, there is a hunt for value among sectors that could shrug off the worst effects of a broad slowdown and tight interest rates.

Yesterday saw gains in selected media stocks as the market looked at the overall underperformance and the prospect for above average earnings growth.

Paul O'Connor of BZW says companies such as Reuters will benefit from the boost provided by new technology as they develop their exposure to television.

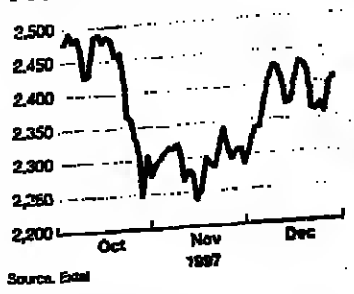
Service companies snch as Rentokil could also provide rare examples of double-digit growth, says Mr O'Connor.

Dealers said that shift was in evidence yesterday and went some way to explaining the day's outperformance of the FTSE 250 against the FTSE 100.

Nevertheless, turnover on what is traditionally one of the quietest days of the year remained true to form.

Volume by 6pm was only 395.8m shares, less than half the average daily figure and only marginally higher than the half-day's trading on Christmas Eve, when customer business on the Sets electronic trading system was worth just over £1bn.

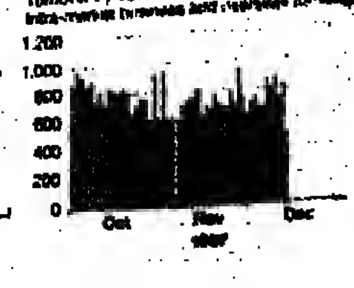
FTSE All-Share Index



Source: Datastream

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	5132.3	+19.9
FTSE 250	4768.1	+35.9
FTSE 350	2466.5	+11.2
FTSE All-Share	2407.74	+11.0
FTSE All-Share yield	3.23	3.25
FT 30	3292.7	+14.7
FTSE Non-Fins p/e	20.02	19.07
FTSE 100 Fut Mar	5193.0	+41.0
10 yr Gilt yield	6.29	6.30
Long gilt/equity yld ratio	1.99	1.94

Best performing sectors

1 Household Goods .... +2.1
2 Extractive Inds .... +1.9
3 Engineering: Vehicles .... +1.6
4 Oil Exploration & Prod .... +1.4
5 Media .... +1.2

Worst performing sectors

1 Alcoholic Beverages .... -1.4
2 Tobacco .... [illegible]
3 Retailers: General .... [illegible]
4 Retailers: Food .... [illegible]
5 Gas Distribution .... [illegible]

BP shuns crude weakness

By Joel Kibazo and Peter John

The oil majors shrugged off continued weakness in the price of crude with help from et least one broker recommendation.

Brent for February delivery was trading below $17 a barrel yesterday and the price of OPEC'e basket of seven crudes fell below $16.

Deelers said sluggish demand from Asia was exacerbated by fears that end users in Japan and South Korea might be keen to offload unwanted cargoes.

However, SocGen bas included BP in its 1998 portfolio of stocks and the underlying shares were strong for most of the day even though BP is the UK major most exposed to oil prices.

Late profit-talking left BP trailing 2¼ to 802½p while Shell Transport improved 6 to 440¼p after trade of 6.8m.

GEC firm

Defence electronics group GEC improved 1¼ to 390¾p after GEC's joint venture GEC Alsthom said its Spanisb consortium, whicb includes Construcciones y Auxiliar Ferrocarriles, had won an order worth more than £55m to supply Portuguese Railways with an additional 12 double-deck suburban trains for the country's capital, Lisbon.

The order is an extension of a contract for 18 similar trains that was signed by the consortium and Portuguese Railweys a year ago.

Also, GEC shrugged off speculation that the planned float with Alcatel Alsthom might be delayed following the loss of a £1.5bn super train order in South Korea.

Stocks exposed to the Far East made good gains following the recent recovery in the Nikkei 225 Average and the Hang Seng index.

In banks, HSBC rose 26 to £15.66, while a two-way pull in Standard Chartered left the shares just ½ lighter at 652½p and Govett Oriental hardened 2¾ to 96½p.

A feeling that some of the market's takeover favourites are starting to look expeneive prompted a retreat Abbey National, a stock mentioned as a target over the last year for both retail banks and insurance groups, was also down. The shares gave up 15 at £10.94.

That positive sentiment, along with continued bid speculation in the financials, helped keep the spotlight on both the banking in insurance issues.

Among banks. Barclays firmed a penny to £16.08 while Lloyds TSB added 10 at 780p. Northern Rock gained 3¼ to 592p, and Royal Bank of Scotland ended the day 4 higher at 744p. National Westminster was also up, closing 10 ahead at £10.20.

A squeeze in tightly-traded merchant banking group Schrodars saw tbe non-voting shares top the list of the Footsie best performers. They jumped 101, or 6 per cent, to £17.81 while the ordinaries gained 35 to £19.35.

Several insurance stocks followed the market trend. Guardian Royal Exchange hardened 2 to 334p, and General Accident rose 7 to £10.47, while Prudential was up 1½ to 721½p.

Profit-taking was the order of the day in the retailers that showed strong gains on Monday. Marks and Spencer, a strong riser at the begining of this week, ended the day as one of the worst performers in the FTSE 100. The shares fell 13 to 597p. Dixons was 4¼ weaker at 605½p, and Kingfisher 6 easier at 833p.

Among food retailers, Tesco was the second worst performer in the FTSE 100, the shares falling 11 to 496p, but rival J. Sainsbury had a better day and its shares closed 7¼ up at 506p. Those of Safeway, often mentioned as a bid target, were 3½ better at 341¾p.

Information technology stocks made good headway ahead of the launch of the London Stock Exchange IT index in the new year. Logica was 40 higher at £11.30, FI Group advanced 17½ to 932½p, MicroFocus was 22¼ higher at £23.62½ and Misys 21 better £18.16.

Shares in Harrisons & Crosfield rose 6½ to 139p after it announced it had bonght Rheox from NL Industries of tbe US for £280m and will return 56p a share to investors either in cash or loan notes.

Danka Business continued to recover following its profits warning in the week before Christmas and rose 6½ to 236½p.

Among the new year SocGen tips, Rio Tinto gained 11¼ to 740p and Reckitt & Colman jumped 27 to 962p.

Biocompatibles International improved 7½ to 492½p on consideration of the news that it has received European regulatory approval for its coated coronary stents.

FTSE GOLD MINES INDEX

	Dec 29	% chg on day	Dec 26	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1055.42	-2.2	1078.71	1834.13	2.82	-	1907.40	903.02
■ Regional Indices								
Africa (15)	1164.96	0.0	1165.17	2114.59	6.02	20.69	2339.56	921.78
Australasia (6)	1154.42	+0.6	1147.00	2198.43	3.14	15.06	2217.60	933.63
North America (12)	1018.22	-3.4	1053.73	1709.20	1.27	37.87	1780.66	894.94

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FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

■ FTSE 100 INDEX OPTION (LIFFE) (*5130) £10 per full index point

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 5,994 Puts 5,612 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT 30 INDEX

	Dec 30	Dec 29	Dec 24	Dec 23	Dec 22	Yr ago	*High	*Low
FT 30	3292.7	3278	3225.2	3241.8	3225.5	2813.6	3430.3	2668.8
Ord. div. yield	3.42	3.43	3.49	3.46	3.49	4.09	4.22	3.29
P/E ratio net	21.23	21.15	20.79	20.94	20.78	17.39	22.33	15.80
P/E ratio nil	20.94	20.86	20.51	20.65	20.50	17.22	22.02	15.71

FT 30 since compilation: high 3430.3 [illegible]/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3278.4	3287.9	3292.5	3283.5	3285.7	3288.6	3283.8	3284.8	3295.7	3298.9	3278.4

	Dec 30	Dec 29	Dec 24	Dec 23	Dec 22	Yr ago
SEAQ bargains	35,021	29,869	14,643	36,996	42,983	16,845
Equity turnover (£m)†	-	NA	1166.4	1441.3	2302.2	320.0
Equity bargains†	-	NA	15,912	32,491	36,642	10,300
Shares traded (mil)†	-	NA	359.7	451.8	678.00	153.4

†Excluding intra-market and overseas turnover but including Crest turnover.
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■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,029	Total Highs	112	Total contracts	15,058
Total Falls	[illegible]	Total Lows	48	Calls	7,958
Same	1,083			Puts	7,100

Dec 30 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	85	93½	Abbey Nat Dublin II	93½		-	-	-	-
§250	F.P.	73.2	276½	262	Autologic	276½	+5½	R7.5	2.0	3.4	16.9
§140	F.P.	29.7	167½	148½	†BCO Techs	168½		-	-	-	-
§85	F.P.	12.2	90	85	†Bond Intl Sftw	98½		W-	-	-	24.9
-	F.P.	13.0	21½	16½	Boustead	19½		-	-	-	-
§-	F.P.	2.36	73	53	Comland Comm	59		-	-	-	15.1
290	F.P.	384.0	273½	255½	Energis	256½	-1½	-	-	-	-
-	F.P.	-	£182	£168	Rng Grd Units	£181½	+1½	-	-	-	-
§26	F.P.	1.42	35½	29½	†General Inds	35½		-	-	-	-
§105	F.P.	22.6	133½	123½	†Gooch & Housego	133½		L1.47	3.9	1.4	20.8
§110	F.P.	124.1	124½	105½	Marchpole	108½		R3.65	2.1	4.3	14.1
§	F.P.	8.14	57½	54½	†Market Link Publ	55		-	-	-	11.7
-	F.P.	23.6	149½	115½	Nthn Recruitment	144½	-1	L1.73	4.1	1.5	18.2
§128	F.P.	12.6	144½	137½	†Optoplast	144½		H3.07	3.4	2.7	11.3
§6	F.P.	9.54	7½	7	†Property Asset	7		-	-	-	-
-	F.P.	8.12	6¾	6	†Range Cooker Co	6½		-	-	-	12.2
-	F.P.	20.8	98½	92½	†Rapid Technology	94½		-	-	-	-
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§105	F.P.	35.5	114½	110½	SCS Upholstery	111½		L2.7	2.0	3.0	21.0
§	F.P.	165.2	104	98½	Second Scot Natl	103½	+¼	-	-	-	12.1
§	F.P.	100.1	101	99½	Do Zero Div Prf	99¾		-	-	-	-
§230	F.P.	51.0	238½	230	Syner	232½		R8.9	3.0	3.7	10.9
*	F.P.	-	50	40½	Vanguard Md Wts	45½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 30	Day's chge%	Dec 29	Dec 24	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5132.3	+0.4	5112.4	5013.9	4118.5	3.16	2.81	2.07	18.14	145.44	2215.80
FTSE 250	4768.1	+0.6	4732.2	4698.1	4490.4	3.51	2.90	1.84	19.38	148.77	2018.96
FTSE 250 ex IT	4802.9	+0.7	4768.4	4736.3	4540.3	3.62	3.00	1.88	18.39	155.65	2040.82
FTSE 350	2466.5	+0.5	2455.3	2413.5	2043.8	3.23	2.67	2.02	18.16	71.37	2175.98
FTSE 350 ex IT	2470.4	+0.4	2459.4	2417.4	-	3.24	2.68	2.03	18.98	39.41	1117.79
FTSE 350 Higher Yield	2460.5	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Lower Yield	2487.3	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	2307.38	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap ex IT	2306.50	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	2407.74	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FTSE Actuaries Industry Sectors

10 MINERAL EXTRACTION; 12 Extractive Industries; 15 Oil, Integrated; 16 Oil Exploration & Prod; 20 GEN INDUSTRIALS; 21 Building & Construction; 22 Building Matls & Merchs; 23 Chemicals; 24 Diversified Industrials; 25 Electronic & Elect Equip; 26 Engineering; 27 Engineering, Vehicles; 28 Paper, Pckg & Printing; 29 Textiles & Apparel; 30 CONSUMER GOODS; 32 Alcoholic Beverages; 33 Food Producers; 34 Household Goods; 36 Health Care; 37 Pharmaceuticals; 38 Tobacco; 40 SERVICES; 41 Distributors; 42 Leisure & Hotels; 43 Media; 44 Retailers, Food; 45 Retailers, General; 47 Breweries, Pubs & Rest.; 48 Support Services; 49 Transport; 60 UTILITIES; 62 Electricity; 64 Gas Distribution; 66 Telecommunications; 68 Water; 69 NON-FINANCIALS; 70 FINANCIALS; 71 Banks, Retail; 73 Insurance; 74 Life Assurance; 77 Other Financial; 79 Property; 80 INVESTMENT TRUSTS; 89 FTSE All-Share; 105 FTSE All-Share ex IT; FTSE Fledgling; FTSE Fledgling ex IT; FTSE AIM

[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	5127.3	5133.6	5116.1	5117.6	5124.9	5118.7	5125.1	5136.6	5144.8	5112.8
FTSE 250	-	4741.9	4749.4	4753.1	4754.7	4756.6	4758.7	4760.1	4767.3	4768.1	4740.4
FTSE 350	-	2462.0	2465.2	2459.5	2459.4	2462.5	2460.3	2462.9	2468.1	2470.9	2456.2
FTSE SmallCap	2299.34	2301.17	2302.03	2303.19	2304.04	2304.45	2304.97	2305.79	2306.87	2307.38	2299.34
FTSE All-Share	-	2403.21	2406.17	2401.02	2401.05	2403.89	2401.89	2404.33	2409.14	2411.63	2397.83

Time of FTSE 100 Day's high: 3:34 PM Day's low: 8:33 AM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 3:34 PM Day's low: 8:33 AM. FTSE All-Share 1997 High: 2462.41 (03/10/97) Low: 1989.78 (02/01/97)
Further information is available on http://www.ftse.com
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† Sector P/E ratios greater than 80 and net covers greater than 90 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities yesterday until 4.30pm. † Indicates a FTSE 100 Index constituent or reserve. All trades are rounded. Source: Exel, part of FT Information.

Electricity pool prices

[illegible]

NOTICE

General Motors Acceptance Corporation

The undersigned, who are the various Fiscal Agents for all the issued and outstanding Notes of General Motors Acceptance Corporation, GMAC, International Finance B.V., GMAC Australia (Finance) Limited and General Motors Acceptance Corporation of Canada, Limited, hereby give notice on behalf of General Motors Acceptance Corporation that effective January 1, 1998, General Motors Acceptance Corporation, a New York corporation, will (through merger) transfer all of its assets and liabilities into its subsidiary, GMAC Financial Services Corporation, a Delaware corporation, that the surviving Delaware corporation will assume the name General Motors Acceptance Corporation. General Motors Acceptance Corporation, the Delaware corporation, will assume all of the assets and liabilities of General Motors Acceptance Corporation, the New York corporation, effective January 1, 1998.

Royal Bank of Canada
Hambros Bank Limited
Citibank, N.A.
First Trust of New York, National Association
Union Bank of Switzerland

Dated as of the 31st day of December, 1997

Wells Fargo & Company

US$200,000,000
Floating rate subordinated notes due 2000

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31 December 1997 to 30 January 1998 the notes will carry an interest rate of 6.0625% per annum. Interest payable on the relevant interest payment date 30 January 1998 will amount to US$50.52 per US$10,000 note and US252.60 per US$50,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

CIC

Compagnie Financière de CIC et de L'Union Européene

US$150,000,000
Floating rate notes 1998

Notice is hereby given that for the interest period 31 December 1997 to 31 March 1998 will carry an interest rate of 6.15625% per annum. Interest payable on 31 March 1998 will amount to US$153.91 per US$10,000 note and US$3,847.66 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

TO SAVE THE RAINFOREST WE PROVIDE TREES TO CHOP DOWN.

By helping people in the rainforest to plant trees, WWF are working to solve some of the problems that cause deforestation.

Where trees are chopped down for firewood, we help plant fast growing saplings as a renewable source of fuel. This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take up to two hundred years to mature.

The *Markhamia lutea* trees WWF gave to the local villages are ready for harvesting in only five years.

Where trees are chopped down for use in construction, as in Pakistan, we supply fast growing local pine species.

The idea behind all our work is that rainforests used wisely can be used forever.

Write to the Membership Officer at the address below if you would like to help sustain our work in the rainforests.

WWF World Wide Fund For Nature (formerly World Wildlife Fund) International Secretariat, 1196 Gland, Switzerland.

The Financial Times plans to publish a Survey on

Business Education

on Monday January 19 1998

For further information please contact:

Marion Wedderburn or Melanie Miles

Tel: +44 171 873 3234

Fax: +44 171 873 3064

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+44 0171 873 3252 Fax +44 0171 873 3098

The Financial Times plans to publish a Survey on

Accountancy

on Friday February23 1998

For further information, please contact:
Chris Aston
Tel: +44 171 873 4196
Fax: +44 171 873 3062
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FT Surveys

IRISH PERMANENT BUILDING SOCIETY

8½% Bonds 2004

Notice is hereby given that the semi-annual dividend on the Irish Permanent Building Society's 8½% Bonds 2004 is payable on 15th January 1998. The record date for this purpose (as defined in Article 4 of the Terms and Conditions of the Bonds) is 1st January 1998. The Bonds will go ex-dividend on 2 January 1998 and payments will be posted on 14th January 1998. Payments will be effected through Bank of Ireland, Registration Department, 4th Floor, Hume House, Ballsbridge, Dublin 4, who are Registrar for the issue.

Finn O'Sullivan
Secretary

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 30 / Sch)

BELGIUM/LUXEMBOURG (Dec 30 / Frs.)

CZECH REP (Dec 30 / Koruna)

DENMARK (Dec 30 / Kr)

FINLAND (Dec 30 / Mkka)

FRANCE (Dec 30 / Frs.)

GERMANY (Dec 30 / Dm.)

GREECE (Dec 30 / Drachma)

ITALY (Dec 30 / Lire)

NETHERLANDS (Dec 30 / Fls.)

NORWAY (Dec 30 / Kroner)

POLAND (Dec 30 / Zloty)

PORTUGAL (Dec 30 / Escudo)

SPAIN (Dec 30 / Pts.)

SWEDEN (Dec 30 / Kronor)

SWITZERLAND (Dec 30 / Frs.)

TURKEY (Dec 30 / TK Lira)

Rockwell wishes everyone a very Happy New Year

Rockwell

http://www.rockwell.com

PACIFIC

JAPAN (Dec 30 / Yen)

HONG KONG (Dec 30 / H.K.$)

INDONESIA (Dec 30 / Rupiah)

MALAYSIA (Dec 30 / MYR)

NEW ZEALAND (Dec 30 / NZ $)

SINGAPORE (Dec 30 / S$)

AUSTRALIA (Dec 30 / Aust$)

SOUTH KOREA (Dec 27 / Won)

TAIWAN (Dec 30 / TW $)

THAILAND (Dec 30 / Baht)

AFRICA

SOUTH AFRICA (Dec 30 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 30 / Can $) 4 pm close

MONTREAL (Dec 30 / Can $) 4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY DECEMBER 29 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY DECEMBER 26 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	198.08	0.7	175.38	162.68	183.68	201.15	0.9	3.78	196.70	174.83	161.86	161.25	198.28	243.87	190.41	219.58
Austria (23)	189.30	1.4	167.60	155.46	175.53	175.41	1.9	1.99	186.69	165.74	153.82	172.03	172.05	213.59	175.14	188.30
Belgium (26)	254.59	1.1	225.42	209.09	238.06	231.06	1.7	2.98	251.69	223.44	207.10	231.92	227.23	262.35	225.22	225.79
Brazil (30)	234.39	2.9	207.53	192.60	217.35	481.36	3.0	1.84	227.81	202.24	167.45	209.91	467.46	322.44	184.94	189.15
Canada (122)	210.09	1.7	186.01	172.54	194.81	218.84	2.0	1.81	206.50	183.32	169.92	190.28	214.62	233.66	178.27	189.21
Denmark (32)	449.53	1.6	398.01	369.16	416.83	415.54	2.3	1.23	442.37	392.72	364.00	407.62	408.33	449.53	344.05	344.05
Finland (28)	275.73	0.5	244.13	226.45	255.67	312.59	1.1	2.01	274.45	243.65	225.83	252.89	309.30	349.43	242.30	242.41
France (83)	236.58	1.4	209.47	194.30	219.37	221.48	2.0	2.41	233.30	207.12	191.97	214.97	217.07	246.23	209.30	211.38
Germany (58)	229.10	1.0	202.64	188.15	212.43	212.43	1.6	1.39	226.89	201.42	186.69	209.06	209.06	243.87	184.23	186.13
Hong Kong, China (66)	346.96	1.3	307.20	284.95	321.72	345.20	1.3	4.63	342.47	304.03	281.83	315.57	340.71	580.03	314.78	506.23
Indonesia (27)	66.93	-0.4	59.26	54.67	62.06	216.66	0.5	3.07	67.21	59.66	55.30	61.93	218.51	254.90	52.01	228.14
Ireland (16)	388.52	0.1	344.00	319.08	360.27	378.62	0.0	2.61	388.13	344.57	319.37	357.64	378.62	409.57	316.20	318.34
Italy (53)	117.92	2.2	104.40	96.84	109.34	154.39	3.0	1.58	115.40	102.45	94.96	106.34	149.83	117.92	82.10	82.24
Japan (481)	93.08	0.7	82.41	76.44	86.31	78.44	0.5	1.04	92.46	82.08	76.08	85.19	76.08	141.12	61.17	129.37
Malaysia (107)	158.93	0.2	140.72	130.53	147.37	238.13	1.4	3.06	158.63	140.82	130.53	146.17	234.92	660.85	157.13	589.03
Mexico (26)	1763.96	2.5	1561.81	1448.69	1635.67	15588.13	1.7	1.56	1721.35	1528.16	1416.41	1586.13	15328.20	1901.98	1209.72	1209.72
Netherlands (19)	410.36	2.5	363.33	337.01	380.51	376.42	3.2	2.23	400.15	355.24	329.26	368.71	364.77	440.67	326.45	329.02
New Zealand (14)	74.63	1.8	66.08	61.29	69.20	67.29	1.8	4.55	73.29	65.06	60.30	67.53	66.70	96.47	73.21	61.37
Norway (38)	314.66	0.9	278.61	258.43	291.79	312.43	1.3	1.94	311.81	276.82	256.57	287.32	308.52	374.64	290.64	290.64
Philippines (22)	78.83	0.6	69.80	64.74	73.10	157.74	1.1	1.33	78.39	69.59	64.50	72.23	156.07	214.07	74.95	203.63
Singapore (42)	223.79	-1.0	198.14	183.79	207.51	171.92	-1.3	1.86	226.04	200.67	185.93	208.29	174.11	448.01	216.21	412.99
South Africa (43)	264.42	0.5	234.11	217.16	245.16	281.05	0.6	3.06	263.28	233.56	216.48	242.41	279.43	370.12	251.92	315.48
Spain (33)	274.84	2.5	243.34	225.72	254.85	314.50	3.1	2.19	268.03	237.95	220.55	246.98	304.97	277.33	206.12	218.61
Sweden (49)	470.42	3.1	416.51	386.34	436.21	545.23	4.0	1.92	456.47	405.24	375.61	420.61	524.36	538.94	405.00	414.84
Switzerland (31)	339.14	1.5	300.27	275.53	314.48	303.92	3.3	1.10	334.24	296.73	275.03	307.98	297.19	339.14	231.69	236.43
Thailand (39)	19.13	3.2	16.94	15.71	17.74	34.60	1.7	6.31	18.54	16.46	15.25	17.08	34.03	103.98	18.54	96.71
United Kingdom (212)	335.83	2.1	297.34	275.81	311.40	297.34	1.9	3.31	329.01	292.33	272.73	303.17	292.09	337.99	271.72	278.16
USA (640)	389.01	1.7	344.43	319.48	360.72	389.01	1.7	1.60	382.42	339.50	314.68	352.38	382.42	401.22	299.79	307.83
Americas (818)	353.56	1.7	313.04	290.37	327.85	296.49	1.8	1.81	347.53	308.50	285.94	320.20	293.37	365.75	274.42	281.21
Europe (701)	289.92	1.8	256.69	238.10	268.83	271.48	2.2	2.37	284.75	252.77	234.29	262.36	265.75	298.25	235.25	235.71
Nordic (147)	411.91	2.2	364.70	338.29	381.95	416.51	3.0	1.41	402.96	357.73	331.57	371.30	404.41	464.93	355.77	356.62
Pacific Basin (872)	103.53	0.7	91.67	85.03	96.00	86.04	0.6	1.72	102.80	91.26	84.59	94.73	85.52	158.99	101.48	148.60
Euro-Pacific (1573)	181.28	1.4	160.49	148.86	168.08	155.79	1.6	2.15	178.87	158.62	147.02	164.64	153.28	209.12	173.55	164.82
North America (762)	377.64	1.7	334.36	310.15	350.17	377.59	1.7	1.61	371.24	329.57	305.47	342.08	371.15	389.57	292.34	300.64
Europe Ex. UK (489)	259.01	1.7	229.33	212.72	240.17	250.62	2.4	1.82	254.73	226.14	209.61	234.72	244.84	267.07	208.33	208.33
Pacific Ex. Japan (391)	196.51	0.8	173.93	161.39	182.22	197.57	1.0	2.96	194.99	173.21	160.36	179.58	195.60	320.65	192.39	312.41
World Ex. US (1794)	185.15	1.5	163.93	152.06	171.68	162.53	1.6	2.14	182.45	161.96	150.13	168.12	159.89	212.89	176.94	187.00
World Ex. UK (2222)	242.80	1.6	214.97	199.40	225.14	220.97	1.7	1.68	239.10	212.21	196.74	220.32	217.33	262.69	211.16	220.15
World Ex. Japan (1953)	329.43	1.7	291.68	270.55	305.47	322.52	1.9	1.97	323.84	287.50	266.48	298.41	316.67	344.35	270.77	274.87
The World Index (2434)	250.68	1.6	221.94	205.86	232.43	227.88	1.7	1.86	245.71	218.32	203.00	227.33	224.09	268.47	216.51	225.09

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Emerging markets: IFC Investable indices

Dollar terms

4 pm close December 30

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 30	Dec 29	Dec 26	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7792.41	7679.31	7660.13	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.13	104.93	104.95	105.13 (29/12)	101.09 (14/4)	105.13 (29/12/97)	54.59 (1/10/81)
Transport	2115.96	3101.69	3101.87	3369.27 (15/10)	2222.07 (2/1)	3369.27 (15/10/97)	13.23 (8/7/32)
Utilities	270.01	267.80	267.71	270.01 (29/12)	209.47 (25/4)	270.01 (29/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 7858.32 (7826.01) Low 7767.66 (7712.41) (Theoretical‡)
Day's high 7822.94 (7801.69) Low 7791.41 (7677.30) (Actual‡)

Standard and Poors	Dec 30	Dec 29	Dec 26	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	953.36	935.46	932.70	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials¶	1102.25	1082.53	1076.44	1146.82 (7/10)	865.42 (11/4)	1146.82 (12/12/97)	3.52 (30/6/32)
Financial¶	116.53	114.06	113.42	120.83 (8/12)	80.75 (2/1)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	501.49	493.80	492.32	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	669.29	663.77	662.80	721.98 (7/10)	541.20 (28/4)	721.99 (7/10/97)	524.20 (16/7/96)
NASDAQ Comp	1537.45	1511.38	1499.53	1745.85 (9/10)	1201.09 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	426.57	421.49	421.04	465.21 (12/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

RATIOS

	Dec 26	Dec 19	Dec 12	Year ago
Dow Jones Ind. Div. Yield	1.79	1.76	1.74	2.02
	Dec 24	Dec 17	Dec 10	Year ago
S & P Ind. Div. yield	1.55	1.49	1.48	1.84
S & P Ind. P/E ratio	25.05	25.90	26.09	23.30

US DATA

MARKET ACTIVITY

Volume (million)	Dec 29	Dec 26	Dec 24
NYSE	441.240	154.900	285.960
Amex	26.541	8.841	14.516
NASDAQ	654.454	208.147	316.803

NYSE	Dec 29	Dec 26	Dec 24
Issues Traded	3,458	3,201	3,271
Rises	2,150	1,444	1,226
Falls	857	1,209	1,425
Unchanged	451	548	610
New Highs	172	60	114
New Lows	77	54	60

NYSE TRADING ACTIVITY — Volume : 504,350,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
EMC Corp	4,098,800	25⅜	+1⅛
Compaq	3,959,000	55¾	+1⅜
PepsiCo	2,753,000	34⅞	+⅛
Tel Brasil	2,732,000	114	+4⅛
Fst Data	2,458,700	26⅝	+⅛
Cendant	2,454,800	32⅛	+1⅛
Gen Elec	2,369,400	72¾	+1⅜
Toys R Us	2,278,200	30¾	+1⅛
Philip Morris	2,182,000	44⅜	+⅜
AT&T	1,969,500	60¾	+⅛

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Compuss	29⅜	+3½	+13.8
Air Freight	63	+7⅛	+13.1
Dayton H	68¾	+6¾	+10.7
Disco	44⅝	+3⅝	+9.0
Downs			
Nelson B	12	−1	−7.7
Donnelly	16⅞	−⅝	−5.3
Penn Eng	23¾	−1⅛	−4.6
Mitchell A	27½	−1¼	−4.3

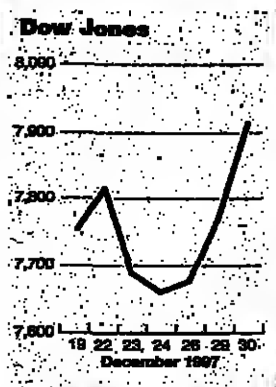
NASDAQ TRADING ACTIVITY — Volume :767,804,000

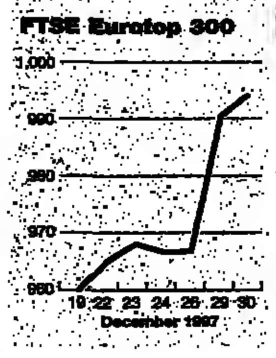
ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Intel	10,099,900	70⅞	+⅛
Cisco Sys	9,218,100	59	+2⅞
Microsoft	8,444,200	128⅜	+5⅜
Oracle	7,503,100	21¼	+⅛
Dell Comptr	5,403,200	82¾	+4½
Worldcom	5,170,200	31⅜	+¾
Appld Mat	4,784,400	29⅜	+⅛
Intermix	4,745,100	4⅛	−⅛
Three Com	4,616,100	34⅞	+1⅞
Novell	4,603,400	7⅛	−⅛

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Cherokee	15½	+4¼	+38.6
Merch NY	39½	+7½	+23.0
Knight Trs	29⅞	+5⅜	+22.7
FP Bcorp	26	+4¼	+19.8
Downs			
Comp Net	10⅞	−1⅜	−11.0
Trimble	21¼	−2½	−10.3
First Bsn	27	−2¾	−9.2
Kelley	21½	−2	−8.5





JAPAN

	Dec 30	Dec 29	Dec 26	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	15258.74	14775.22	14802.60	20681.07	14775.22	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 194,000,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Tomen Corp	13,869,000	90	+9
Yamaichi Sec	8,563,000	1	
Sakura Bank	4,120,000	373	+7
Nippon Lace	3,475,000	19	−10
Fuji Bank	3,091,000	528	+28
Toshoku	3,024,000	1	
Np Credit Bk	2,999,000	114	+1
LTCB	2,736,000	209	+9
Kankaku Sec	2,316,000	102	+6
Mitsui T & B	1,987,000	253	+8

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Sneid Kana	99	+24	+32
Np Light Mtl	100	+38	+23.4
Miyaji Iron	133	+24	+22
Sadan Corp	86	+11	+20
Hokushin	268	+43	+19.1
Koito Mfg	520	+80	+18.2
Downs			
Nippon Lace	19	−16	−45.7
Tshkw Pump	530	−60	−10.2

FRANCE

	Dec 30	Dec 29	Dec 26	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2976.47	2939.46	2871.27	3094.01	2256.97	3094.81	984.61

PARIS TRADING ACTIVITY — Volume : 367,762,280

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Fr Telecom	1,287,182	217.8	+2.1
St Agfa	1,063,343	686	+23
Rhn-Plnc A	875,886	265.1	+2.6
Usinor	772,459	85.25	+0.75
AGF	688,610	218.8	+0.8
Euro Disny	643,775	6.9	−0.1
Axa-UAP	586,706	466	+0.8
B.N.P.	523,741	310	
Total B	463,271	647	+8
Casino Gch	432,301	332	+8

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Bourgeois	55.8	+11.3	+25.4
CNIM Inds	11.5	+1.5	+15.0
Cipe France	202.7	+22.9	+12.7
Arbel Etabl	45.0	+5.0	+12.5
Downs			
Finatis	186.5	−19.5	−9.5
Go Sport	370.5	−29.5	−7.4
Steph Kelian	60.2	−4.6	−7.1
Idianova	70.0	−5.0	−6.7

GERMANY

	Dec 30	Dec 29	Dec 26	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4249.59	4197.37	(c)	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 19,227,071

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Commerzbank	1,135,813	70.8	−1.5
Deutsche Bk	1,101,858	127	+2
Siemens	984,408	108.5	−1.1
BASF	929,873	63.75	−0.65
Dt Telekom	913,867	33.85	+1.15
Bayer	908,540	82.2	+2.4
Hoechst	724,927	63	+1.9
Daimler-Benz	689,529	126.2	+2
Lufthsa Rg	676,780	34.5	+2.1
Veba	619,089	122.5	+0.8

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Boewe	49.0	+5.0	+11.4
Ahlers Pf	470.0	+40.0	+9.3
Rinol	51.0	+4.0	+8.5
K&M Mobel	15.4	+1.2	+8.5
Downs			
Kolbenschmdt	21.0	−1.8	−7.9
Jungheinrch Pf	270.0	−20.0	−6.9
Rheinmetal Pf	28.0	−1.9	−6.4
Ex-Cell-O	252.0	−13.0	−4.9

UK

	Dec 30	Dec 29	Dec 26	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5132.3	5112.4	(c)	5330.80	4056.60	5330.8	986.9

LONDON TRADING ACTIVITY — Volume : 395,800,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Br Steel	12,729,320	129½	+1
BTR	12,437,280	184	+½
Vodafone	8,355,821	438	−3
Shell T&T	6,794,288	440½	+8
Wiggins	6,140,202	13¼	+¼
Coats Vly	6,035,584	93	
Diageo	5,859,351	559	−3
BT	5,584,288	470½	+8
Safeway	5,190,617	341¼	+3½
Harr & Cros	6,144,061	130	+6½

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Enviromed	13	+4½	+52.9
Fibernet	108½	+19	+21.7
Tegnet Life	62½	+8	+14.7
ISA Int	80	+10	+14.3
Downs			
Polyphand	8½	−2	−19.0
Eurasia Min	88	−18	−8.5
MMS Pet	33½	−2½	−6.9
Unitec	59½	−3	−4.6

INDEX FUTURES

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	986.20	987.00	+1.20	989.50	965.50	59,954	358,785
Jun	977.50	977.10	+1.20	979.10	977.10	482	8,635
Nikkei 225							
Mar	15000.0	15240.0	+480.0	15260.0	14960.0	12,585	168,223
Jun	14900.0	15140.0	+690.0	15140.0	14900.0	804	31,449
CAC-40 (200 x index)							
Dec	2957.0	2977.0	+29.0	2982.0	2950.0	21,456	16,339
Jan	2977.0	2982.0	+27.5	2989.0	2956.0	13,009	37,325
DAX							
Mar	4335.0	4278.5	−31.5	4348.0	4262.5	10,276	67,606
Jun	4398.0	4307.5	+22.0	4386.0	4352.0	461	7,968
OMX							
Jan	2398.00	2409.00	+73.00	2427.00	2396.00	4,381	20,379
Feb	2424.00	2420.50	+44.50	2436.00	2416.00	132	385
SOFFEX							
Jan	6223.0	6264.0	+73.0	6268.5	6212.0	2,692	17,704
Mar	5240.0	6280.0	+184.0	6246.0	6248.0	1	1

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Dec 30	Dec 29	Dec 26	1997 High	1997 Low	Yield	P/E
Hungary	Bux	7909.10	7735.65	(c)	8483.80 6/8	4291.30 6/1	na	na
India	BSE Sens.	3637.71	3706.79	3639.38	4548.02 5/8	3225.24 2/1		
	DNM 500	665.12	673.88	662.22	849.28 5/8	616.29 12/12	na	na
Poland	WIG	14552.3	14053.6	(c)	18339.40 18/2	13619.90 22/12	1.82	10.3
Portugal	BNL 30	3778.73	3757.27	(c)	3778.73 30/12	2188.57 2/1	1.55	27.3
	PSI 20	8803.00	8751.49	(c)	8803.00 30/12	5152.34 2/1		

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NASDAQ NATIONAL MARKET

4 pm close December 30

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close December 30

[illegible]

EASDAQ

[illegible]

Dow climbs through 7,800 points

AMERICAS

Bullish sentiment lifted US stocks for a second straight day, and the Dow Jones Industrial Average roared through the 7,800 point level, *writes John Labate in New York.*

By early afternoon the Dow had gained 72.74 7,865.15. The Standard & Poor's 500 index rose 9.81 to 963.16.

The Nasdaq composite index also continued to improve, rising 15.79 to 1,653.24. Microsoft had another strong day, up 3^{11}/_{16}$ to $130. Internet stock E*Trade surged more than 8 per cent to $21⅝ after announcing a new technology architecture for its site.

Calmer overseas markets continued to provide support.

"Helping the cause is that Korea is closed," said Michael Driscoll, senior block trader for Hambrecht & Quist. "South-east Asia has been the real sticking point for this market for the last month or two," he added.

Among the Dow stocks, Wal-Mart rose $1¼ to $39½ on the retailer's completion of its acquisition of Germany's Wertkauf chain.

Retailer Dayton Hudson, surged more than 10 per cent or $6⅞ at $68⅝ after a delay in morning trading.

NL Industries leapt $⅞ or nearly 7 per cent to $13¾ on news that it would sell its Rheox chemicals operation for $465mn.

The announcement of additions to the Nasdaq 100 index sent several shares higher. Immunex shot up $3 or 6 per cent to $52¾ while Dura Pharmaceuticals rose $2¾ or more than 6 per cent to $46½.

A strong report on consumer confidence sent bond prices sharply lower. By midday the 30-year Treasury bond had fallen $^{11}/_{32}$ to 102$^{1}/_{16}$, sending the yield higher to 5.975 per cent.

TORONTO was higher at midday, with the recently weak forest products group showing surprising strength and outweighing a dull showing in golds.

The TSE-300 composite index was 15.34 higher by noon at 6,665.30 in volume of just 26.3m shares.

SAO PAULO added to the 6.9 per cent gain in the benchmark Bovespa index since the start of the month with a rise of a further 1.4 per cent by midsession. The index stood 140 higher at 10,191.

Telecommunications group Telebras gave back some of Monday's 2.2 per cent rise as it eased 0.5 per cent to R$111.50.

SANTIAGO traded 2.3 per cent higher at midsession as investment companies moved to shore up their positions before the end of the year.

The IPSA index was 2.48 higher at 112.67.

Golds fall 4.5% in Jo'burg

Gold stocks slumped 4.5 per cent in Johannesburg as a weakening bullion price halted the sector's three-week rally.

The bellwether Vaal Reefs sagged R9 or 4.4 per cent to R197, surrendering part of the 33 per cent gains posted since plumbing a R152 all-time low of December 5.

Financial stocks were firm, with First National Bank picking up R150 to R4,450 on hopes of an interest rate cut in the new year.

The overall index jumped 39.00 to 6,169.30, as industrials added 66.50 to 7,384.40. Golds, however, plummeted 38.30 to 805.50.

Turnover remained subdued, with shares worth R469m changing hands.

Bulgaria holds promise of walk on wild side

The Sofia stock exchange is tipped to become east Europe's star performer, says Kevin Done

For investors looking for a walk on the wild side in east Europe in 1998, the answer could be Bulgaria.

While Romania and Russia proved the happiest hunting grounds for the adventurous during 1997 – until the markets bowed to the contagion spreading from Asia in the final months of the year – east Europe market analysts are looking to Bulgaria to achieve some of the most spectacular gains in 1998.

It will be from a standing start. The Sofia stock exchange re-opened only in October after a year's absence reflecting the country's severe economic crisis, and it will be some months before any significant trading volumes build up.

The coming 12 months will be the first time since the beginning of transition that the macroeconomic picture in Bulgaria "looks good on almost all fronts", according to ING Barings, the investment bank.

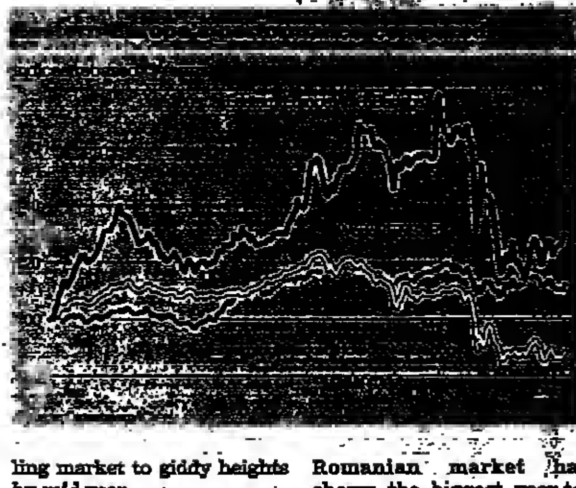
After falls in gross domestic product of 11 per cent in 1996 and an estimated 7 per cent this year, ING Barings forecasts that the economy will grow by around 3.5 per cent in 1998.

The return of confidence following long months of political and economic upheaval has followed the introduction in July of a tight monetary regime based around a currency board that fixed the lev, the Bulgarian currency, at a rate of 1,000 to the D-Mark.

The growing pace and credibility of the reform effort has prompted Roger Monson, chief equity strategist at Daiwa Europe, to suggest that "re-emerging Bulgaria could be the star performer of 1998".

"We believe conditions are right for Sofia to be one of the world's best performing markets in 1998, as the economy improves, market liquidity is created and assets are revalued."

For those venturing towards Bulgaria in 1998 some lessons could be learned from experiences in Romania this year, where early euphoria, triggered by the reform programme promised by a new centre-right government, drove the fledgling market to giddy heights by mid-year.



Investors with dollar-based gains of up to 250 per cent became increasingly nervous during the summer months, as the commitment to reform appeared to falter and trouble spilled on to the streets with workers took to the streets to express anger at their deteriorating conditions.

The Bucharest stock exchange index has declined almost 50 per cent during a recent three-month period, but even with this fall the Romanian market has shown the biggest year-to-date gains in the region and is still among the global leaders at the year end.

It has been a rockier ride than first appeared likely, but analysts are taking comfort from the recent government shake-up led by prime minister Victor Ciorbea, which gives hope that reform measures will be bolder and quicker.

Of the existing markets in the region, Daiwa again points to Romania to yield some of the biggest gains in 1998, suggesting a rise in the Bucharest stock exchange index to around 1,200 by the end of the year from less than 800 at present.

Among the more established east Europe markets Warsaw has been one of the laggards of 1997, and Prague the biggest disappointment, racked by economic and political uncertainty that is unlikely to end soon.

Meanwhile, Budapest has surged to the fore supported by some of the strongest economic fundamentals in the region.

The Budapest stock exchange, one of the most most liquid in east Europe, has gone through a period of unprecedented volatility in recent months as investors reacted nervously to the turmoil in Asia.

It has ended the year in upbeat fashion, however, with yesterday's final session gaining more than 3 per cent.

Several stocks reached all-time highs, with the BUX index closing at 7,999, an increase of 263 points.

Traders said that Hungarian share prices were benefiting from a general confidence in the economy, a stronger dollar and a bullish trend in foreign markets.

Gyorgy Czipo of ING Barings believes that "in the region clearly Hungary and Russia are the flagships". Investors were ready to pay higher prices for stocks as they saw good growth potential in 1998.

Hungary, which was one of the strongest performers globally in 1996, has made substantial further progress this year. The BUX index has risen 93.5 per in forint terms from last year's closing index of 4,134 points. It has not yet surpassed the all-time high of 8,628 points reached in early August, but analysts are optimistic that significant further gains will be made in 1998.

"Despite the 8 per cent decline suffered in the three months through November we believe Hungary's positive fundamentals will support an advance to the 10,000 BUX index level over the next year," says Mr Monson.

Zurich scales heights for second consecutive day

EUROPE

Further strong demand for index heavy stocks took ZURICH up 1.3 per cent to a second consecutive record close.

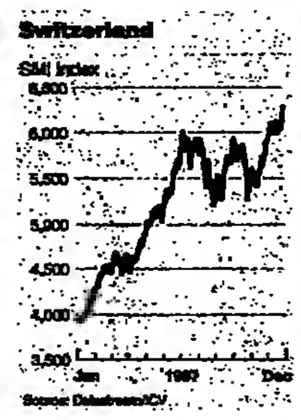
The SMI index, like benchmark indices in many European centres, was bolstered by window dressing ahead of the year end, the dollar's firmer tone, gains on Wall Street and a calmer performance by Asian financial markets.

Record closes were also seen in Copenhagen, Lisbon and Milan.

The SMI ended up 77.2 at 6,267.6 in turnover that swelled to SFr1.6bn.

Among heavily traded stocks, Novartis registered shares, which represent almost a quarter of the SMI, powered ahead SFr78 to SFr2,372.

In the opposite direction, SGS Surveillance slipped SFr20 to SFr2,765 after the testing and inspection group said it would launch a second public offer to buy back shares with a maximum nominal value of up to SFr1.5m.



MILAN just managed another all-time high as financial stocks continued to benefit from the central bank's pre-Christmas interest rate cut. The Mibtel index finished at 16,733, up 55 on the day.

PARIS was again dominated by interest in the food retailing sector, following the abandonment of Promodès' hostile bid for Casino.

Casino shares climbed Fr5 to FFr332 as they returned from suspension on expectations that 46 per cent holder Rallye would now proceed with a bid. Gains were limited, however, because analysts said the bid could be pitched at as little as FFr340 a share. Rallye rose FFr21.80 at FFr282.80 on the growing perception that it would get Casino on the cheap.

Promodès slipped FFr59 to FFr2,460 on fears that it might turn its attentions to Carrefour, which gained FFr65 to FFr3,090 on vague bid hopes. Analysts said the co-operation deal agreed by Casino and Promodès as part of their peace treaty would not yield much in the way of profits.

Elsewhere, shares posted gains, with Hachette ending FFr51 higher at FFr1,311 following a large off-market cross trade. The CAC-40 index finished 36 higher at 2,975.47.

Against the trend FRANKFURT saw modest profit-taking as some investors sought to lock in gains after a year that saw the Dax index climb 47 per cent.

The Xetra Dax ended an abbreviated trading session 41.72 lower at 4,224.30, sharply higher than the Dax's end-1996 level of 2,880.07 but still short of the record high of 4,477.70 set on July 31.

Banking shares were among the day's biggest losers on profit-taking. Commerzbank fell DM3.31 to DM70.70 and BHF-Bank dropped DM2 to 52 marks.

Utility RWE tumbled DM4 to 94.50 marks, giving up the strong gains made on Monday.

On the upside, Deutsche Lufthansa climbed 4.1 per cent to DM34.35 and carmaker BMW firmed 2.7 per cent to DM1,340.

FTSE Actuaries Share Indices — European series

December 30

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	994.15	+0.40	+3.99	2.24	0.00	1001.71
FTSE Eurotop 100	2290.76	+0.61	+13.95	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1001.55	+0.08	+0.82	3.16	0.00	1018.17
300 Ex-UK	990.52	+0.59	+5.80	1.72	0.00	992.94
300 Eurobloc	973.73	+0.46	+4.50	1.93	0.00	977.27
300 Ex-Eurobloc	1011.15	+0.36	+3.68	2.46	0.00	1021.86
FTSE Eurotop 300 Economic Groups						
Resources	947.38	+0.94	+8.85	2.89	0.00	960.56
General Industries	918.07	+0.23	+2.15	2.13	0.00	920.28
Consumer Goods	993.72	+0.97	+9.51	1.88	0.00	1004.44
Services	985.05	−0.08	−0.82	2.28	0.00	992.52
Utilities	1037.92	+0.07	+0.73	2.68	0.00	1049.65
Financials	1059.89	+0.26	+2.77	2.17	0.00	1065.54

Base value 1000. More information on http://www.ftse.com. "FTSE" and "Footsie" are registered trade marks of the London Stock Exchange and The Financial Times. "Eurotop" is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Written and edited by Michael Morgan, Jonathan Ford and James Montgomery.

Nikkei ends year with 3.3% rally

ASIA PACIFIC

Relief that a solution appeared to have been found to South Korea's short-term debt problems helped TOKYO to rebound, *writes Paul Abrahams.*

The New York markets' strong performance overnight also helped sentiment. The benchmark Nikkei 225 index rose 483.52 or 3.3 per cent to close the year's trading at 15,258.74. That was 21 per cent below the 19,361 point close at the end of 1996.

The banking sector rose 2.9 per cent, thanks to the news from Korea. Sakura Bank, which announced it would reveal restructuring plans next month, gained Y7 to Y373. Mitsui Trust, a related bank, rose Y8 to Y253 in heavy trading.

Nippon Lace, the troubled Kyoto-based lace manufacturer, dropped 45 per cent to just Y19 with 3.4m shares traded. At the weekend it revealed it had failed to honour some promissory notes.

The paper sector was particularly strong, up 5.7 per cent. Oji Paper, the world's largest paper maker, rose Y51 – more than 10 per cent – to Y519. Mitsubishi Paper was up Y21 or 13 per cent to Y183.

There was strong momentum behind the market's rise. Of 1,327 stocks in the first section, 921 were up, 176 down and 138 unchanged. Turnover was light at 170m, but there was only a morning session. The Topix index of all first-section stocks rose 27.16 or 2.4 per cent to 1,175.03. The Nikkei traded between 14,838 and 15,259.

In Osaka, the OSE index closed up 393 at 15,043 with 25m shares traded. The markets reopen on January 5.

KUALA LUMPUR surged more than 3.5 per cent as banking stocks advanced, driven by rising hopes of consolidation in the financial sector. The composite index ended 20.73 higher at 589.39.

Financials rose after the central bank announced it would soon unveil a plan for mergers among finance companies, listing those that should be merged.

Malayan Banking gained 80 cents to M$11, RHB Capital rose 21 cents to M$1.70 and Commerce Asset was 22 cents better at M$ 2.01.

HONG KONG jumped 2.4 per cent, lifted by further demand in the property sector, a late rally in red chips and the prospect of Wall Street ending 1997 on a positive note. The Hang Seng index added 252.22 at 10,755.21, just off the high for the day of 10,767.55, in turnover that rose to a moderate HK$5.3bn.

Much of the morning's trading activity was focused on big blue chips, in particular low-priced property shares, in advance of the expiry of the December Hang Seng index futures contract on Tuesday.

But red chips stole the limelight in the last hour of the day. The Hang Seng China-Affiliated Corp index vaulted 4.9 per cent, with most of the buying said to be by local traders who wanted to mark up prices of red chips before the year-end.

WELLINGTON posted its second successive large gain, up 1.5 per cent, as Telecom continued its revival.

The NZ top 40 capital index gained 33.33 to 2,282.29, adding to Monday's 1.4 per cent advance.

Market leader Telecom NZ gained 21 cents to NZ$8.26. It has now recovered more than half the NZ$1 lost last Tuesday when its two major shareholders, Ameritech and Bell Atlantic, signalled they were quitting the company.

BANGKOK gained ground in thin trade on selective buying of blue-chips after Thailand's current account data showed signs of improvement. The SET index gained 7.05 to 365.82.

Investors were heartened by news that the current account surplus widened to Bt23.3bn in October from a revised Bt7.9bn surplus in September. In October 1996, the deficit was Bt35.9bn.

The Malaysia Capital Fund Limited

DELISTING OF THE COMPANY FROM THE AMSTERDAM STOCK EXCHANGE

With reference to the advertisement dated 21 November 1997 the Directors announce that the resolution to delist the Company from the Amsterdam Stock Exchange was approved by the shareholders at the Extraordinary General Meeting held on 15 December 1997, and that the shares have been delisted effective 22 December 1997.

24 December 1997

By order of the Board
MeesPierson Fund Services (Asia) Limited
Assistant Secretary

Registered Office:
P.O. Box 2003
British American Centre
Phase 3, Dr Roy's Drive
Grand Cayman
Cayman Islands
British West Indies

THE FIRST MEXICO INCOME FUND N.V.
Incorporated in the Netherlands Antilles

NOTICE OF DIVIDEND

Shareholders are informed of a dividend of US$0.40 per share of Common Stock to holders of record as of December 31, 1997. The ex-dividend date was December 26, 1997.
The dividend will be paid on January 15, 1997. Payment of the dividend on the bearer shares will be made against surrender of coupon No. 30 detached from the share certificates which for this purpose shall be lodged at:

MEESPIERSON N.V.
Rokin 55
1012 KK Amsterdam
The Netherlands

which acts as Paying Agent on behalf of the undersigned.

December 26, 1997

MEESPIERSON TRUST (CURAÇAO) N.V.

NOTICE TO BENEFICIARIES OF GUARANTEES ISSUED BY CREDIT SUISSE FIRST BOSTON, INC. AND CREDIT SUISSE GROUP

The guarantees given by Credit Suisse First Boston, Inc. (formerly named CS First Boston, Inc.) and Credit Suisse Group (formerly named CS Holding) of the obligations of Credit Suisse First Boston (Singapore) Limited (formerly named CS First Boston (Singapore) Limited) on 20 November, 1995 and 17 December, 1996, respectively, will cease to have effect in relation to obligations of Credit Suisse First Boston (Singapore) Limited arising after 2 February, 1998. The guarantees of Credit Suisse First Boston, Inc. and Credit Suisse Group in relation to obligations of Credit Suisse First Boston (Singapore) Limited existing, or incurred, on or before that date will remain unaffected.

31 December, 1997

Credit Suisse First Boston, Inc.
Credit Suisse Group

CREDIT SUISSE GROUP — CREDIT SUISSE FIRST BOSTON

WOOLWICH
Woolwich plc
£200,000,000
Floating Rate Notes due 1999

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 24th March, 1998 has been fixed at 7.808590% per annum. The interest accruing for such three month period will be £192.54 per £10,000 Bearer Note, and £1,925.41 per £100,000 Bearer Note, on 24th March, 1998 against presentation of Coupon No. 11.

Union Bank of Switzerland
London Branch Agent Bank

24th December, 1997

UBS

NOTICE TO BENEFICIARIES OF GUARANTEES ISSUED BY CREDIT SUISSE FIRST BOSTON, INC. AND CREDIT SUISSE GROUP

The guarantees given by Credit Suisse First Boston, Inc. (formerly named CS First Boston, Inc.) and Credit Suisse Group (formerly named CS Holding) of the obligations of Credit Suisse First Boston (Hong Kong) Futures Limited (formerly named CS First Boston (Hong Kong) Futures Limited) on 22 March, 1995 and 17 December, 1996, respectively, will cease to have effect in relation to obligations of Credit Suisse First Boston (Hong Kong) Futures Limited arising after 2 February, 1998. The guarantees of Credit Suisse First Boston, Inc. and Credit Suisse Group in relation to obligations of Credit Suisse First Boston (Hong Kong) Futures Limited existing, or incurred, on or before that date will remain unaffected.

31 December, 1997

Credit Suisse First Boston, Inc.
Credit Suisse Group

CREDIT SUISSE GROUP — CREDIT SUISSE FIRST BOSTON

RPS
Residential Property Securities No.3 PLC

£150,000,000 Class A2 Notes — £5,000,000 Class B Notes

Mortgage Backed Floating Rate Notes due 2025

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 29th December 1997 to 27th March 1998, the Class A2 Notes and Class B Notes will carry an interest rate of 7.89188% and 8.92188% per annum respectively. The interest payable per £100,000 Note will be £1,328.52 for the Class A2 Notes and £2,151.03 for the Class B Notes.

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CCF
Crédit Commercial de France

ITL 150,000,000,000
Floating Rate Notes due 1998

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from December 31, 1997 to March 31, 1998 the Notes will carry an Interest Rate of 5.875 % per annum.

The Coupon Amount payable on the relevant Interest Payment Date, March 31, 1998 will be ITL 73,438 per ITL 5,000,000 principal amount of Note and ITL 734,375 per ITL 50,000,000 principal amount of Note.

The Agent Bank
Kredietbank Luxembourg